



# SUSTAINABILITY REPORT

2016/2017

Marc O'Polo

# Marc O’Polo

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## Highlights 2016/2017

## 50 years of MARC O’POLO

A success story that began in 1967.  
*Portrait of the company on page 7.*



## Further education

„Colleagues for colleagues“ –  
employees share their knowledge within  
the company.  
*Chapter employees on page 40.*



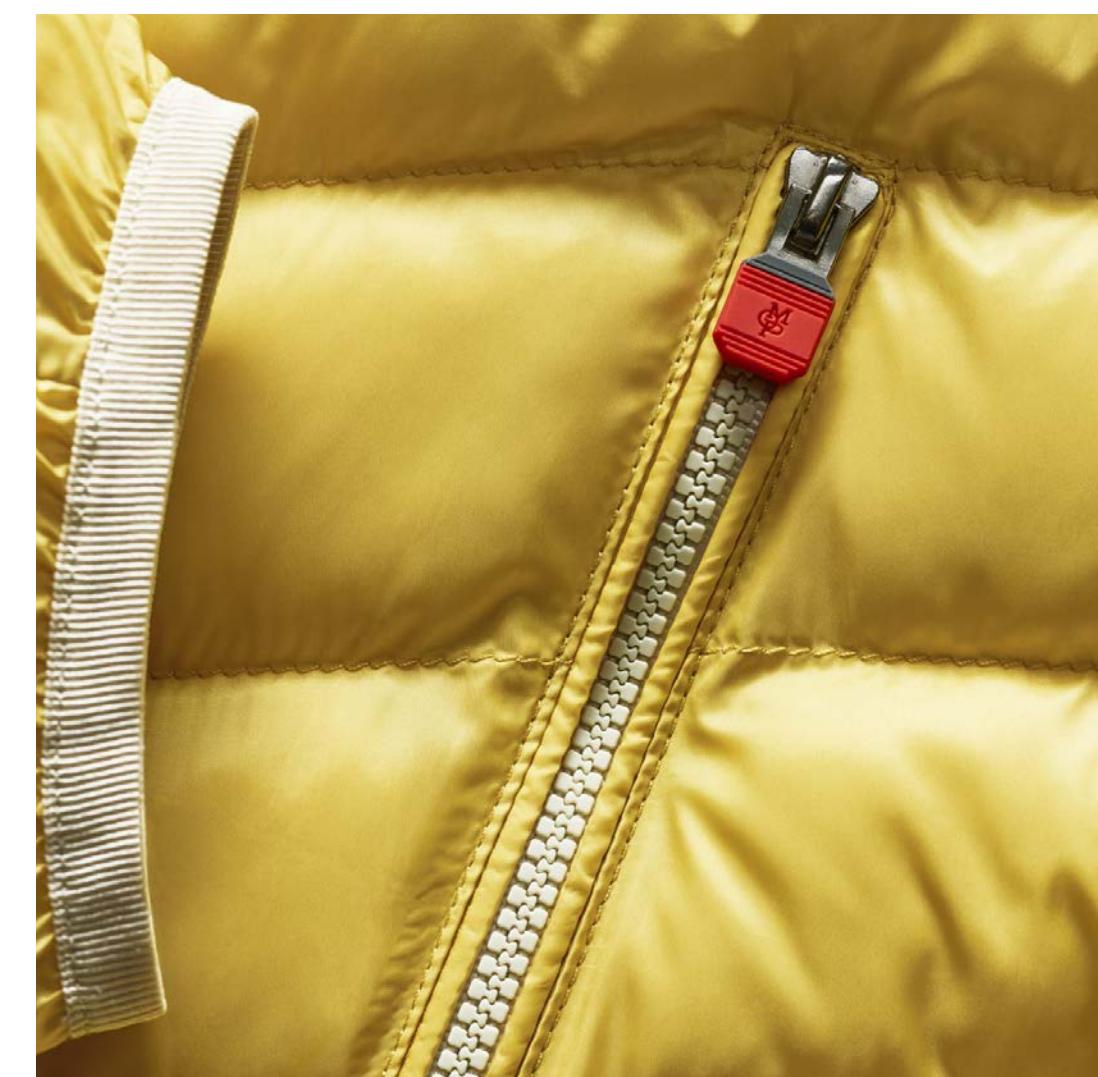
## Transparency in the supply chain

With a supply chain management tool,  
which we have integrated into our planning  
and production processes.

*Chapter supply chain from page 24.*

## DO Camp

Responsibility also means promoting ideas beyond  
your own borders. The idea for the *DO Camp*, a  
workshop of the MARC O’POLO Foundation, was  
born. *Chapter society from page 50.*



## 50 % recycled materials

Or more is used in the padding of  
our outdoor collections.  
*Chapter products from page 32.*

## Dear reader,

The passion for natural materials and the attitude to come forward with your ideas, which gave birth to MARCO’POLO in 1967, are still an integral part of our corporate culture. Thus, we proudly celebrate the 50th anniversary of MARC O’POLO in our reporting year and may not only look back but, above all, ahead.

The fashion industry and the textile retail industry are ever changing. We need to think holistically and act sustainably to continue our success story; this includes the corporate leadership, the value contribution of our products, the interaction with our suppliers and employees as well as our responsibility for the environment and society.

The present report documents the progress of our sustainability activities that we continuously pursue and refine. Thus, in the context of an economically forward-looking approach we intensively engage in digitization and its influence on business processes, collaboration, and work environment. Accordingly, it is our premise to find the right balance between cost awareness and investment.

For our products, we pay attention to the use of high-quality materials and require our suppliers to comply with our guidelines for decent and humane working conditions and the use of chemicals. Transparency plays an important role.

To increase this in the supply chain in the long term, we have implemented a Supply Chain Management Tool.

In the year under review, we formed a Product Sustainability Core Team, which controls and coordinates product sustainability at MARC O’POLO. With this, we have moved another step forward in producing socially responsible and ecologically valuable products.

In collaboration with young entrepreneurs, we established a workshop, known as the *DO Camp*, where we worked on visions for a sustainable future of fashion.

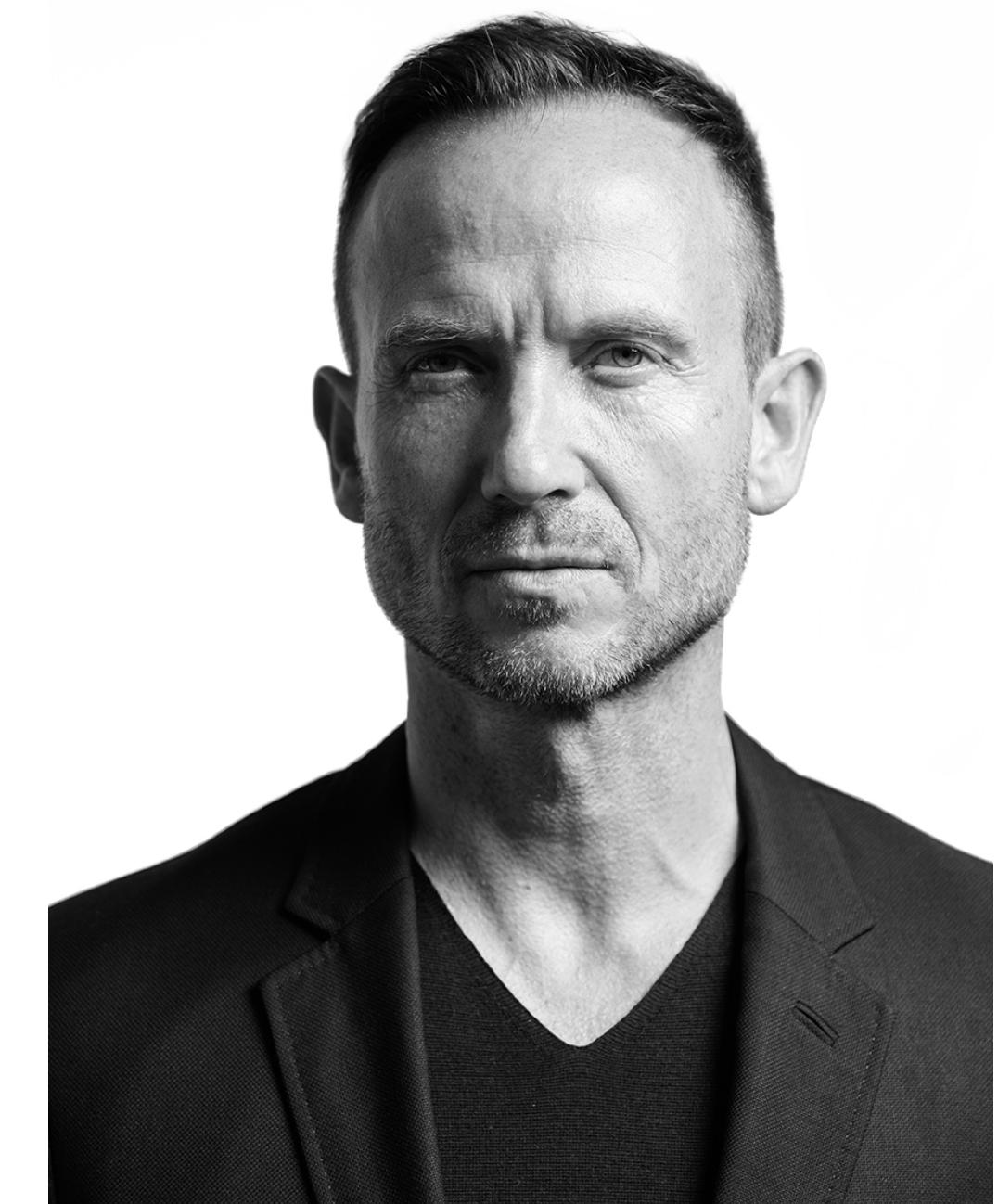
We are committed to improving ourselves continuously. Our goal can only be achieved through dialog. Your suggestions and criticism are welcome.

I hope you enjoy reading



Bernd Keller, COO MARC O’POLO AG

Stephanskirchen, November 2017



Marc O'Polo

*Portrait of  
Marc O'Polo*

A success story that began in 1967.



## THE O' STORY

It was the summer of 1967 when two Swedes and one American decided to leave the familiar paths of the fashion world. *Rolf Lind*, *Göte Huss*, and *Jerry O. Sheets* were the names of these free-thinking businessmen who were united by the same great passion for natural materials. At a time when synthetics were on the rise, they wanted to set a counterpoint. Their vision of working

exclusively with natural materials marked the beginning of a great adventure. The company name was inspired by the discoverer Marco Polo. The crucial twist was provided by *Jerry O. Sheets'* middle name, which is often misunderstood as the Irish O'. So the O' already graced the first product of the brand – a cotton shirt for men designed by *Sheets*.

MARC O'POLO exhibited for the first time at a fashion fair in Cologne only a year later. Here, the three founders met *Werner Böck*, who became the distribution partner for Germany within a short time. MARC O'POLO evolved rapidly. In 1975, they already presented complete lines for both ladies and men. In the 1990s, *Werner Böck* ultimately took over the majority of the shares and relocated the company headquarters from Stockholm to Stephanskirchen.

Even after 50 years, the philosophy of the "O" continues to exist. Our passion for excellent materials is unchanged; our fashion is still made from predominantly natural materials. Moreover, we remain true to ourselves. We are not looking to change the world with our clothes. However, we still care to find that exact twist which gives things a personality and makes them a little better.

The O' embodies personality and originality – precisely those qualities that characterize MARC O'POLO since its foundation.

## OUR COMPANY

MARC O’POLO stands for high quality, contemporary Premium Modern Casual Wear.

The headquarters of MARC O’POLO AG are situated in the south of Munich in Stephanskirchen. From here, about 2,206 stores are supplied internationally. Currently there are 121 stores, 169 franchise stores, and 1,916 trading partners. MARC O’POLO is available locally and online in more than 30 countries via its eShops. The company employs about 1,900 employees around the world.

A three-member board manages MARC O’POLO AG: *Dieter Holzer*, who took over as CEO in September 2017, along with *Jürgen Hahn* as CFO and *Bernd Keller* as COO. *Werner Böck*, the majority shareholder of MARC O’POLO, is Chairman of the six-member Supervisory Board.

Today, the company looks back on 50 years of corporate history that were duly celebrated last year with numerous activities – together with our employees, customers, and business partners.

The stance of our three founders – to promote one’s ideas and cherish individual personalities – is still firmly rooted in our corporate culture, including our values, and reflects our philosophy:

*“The freedom to be yourself.”*

Our philosophy stands for a clear commitment. Our five fundamental values – *Natural, Simplicity, Quality, Personality*, and *Innovation* – guide the standards we set for our collections as well as our actions.

Our daily motivation stems from our vision to be the leading Modern Casual Lifestyle brand in the premium segment. Compared to our competitors, we position ourselves with our preference for natural materials and our independent style, which distinguishes itself through naturalness, modernity, and urban casualness.



## COMPANY STRUCTURE

Under the umbrella of MARC O’POLO AG, subsidiaries control the activities of the brand.

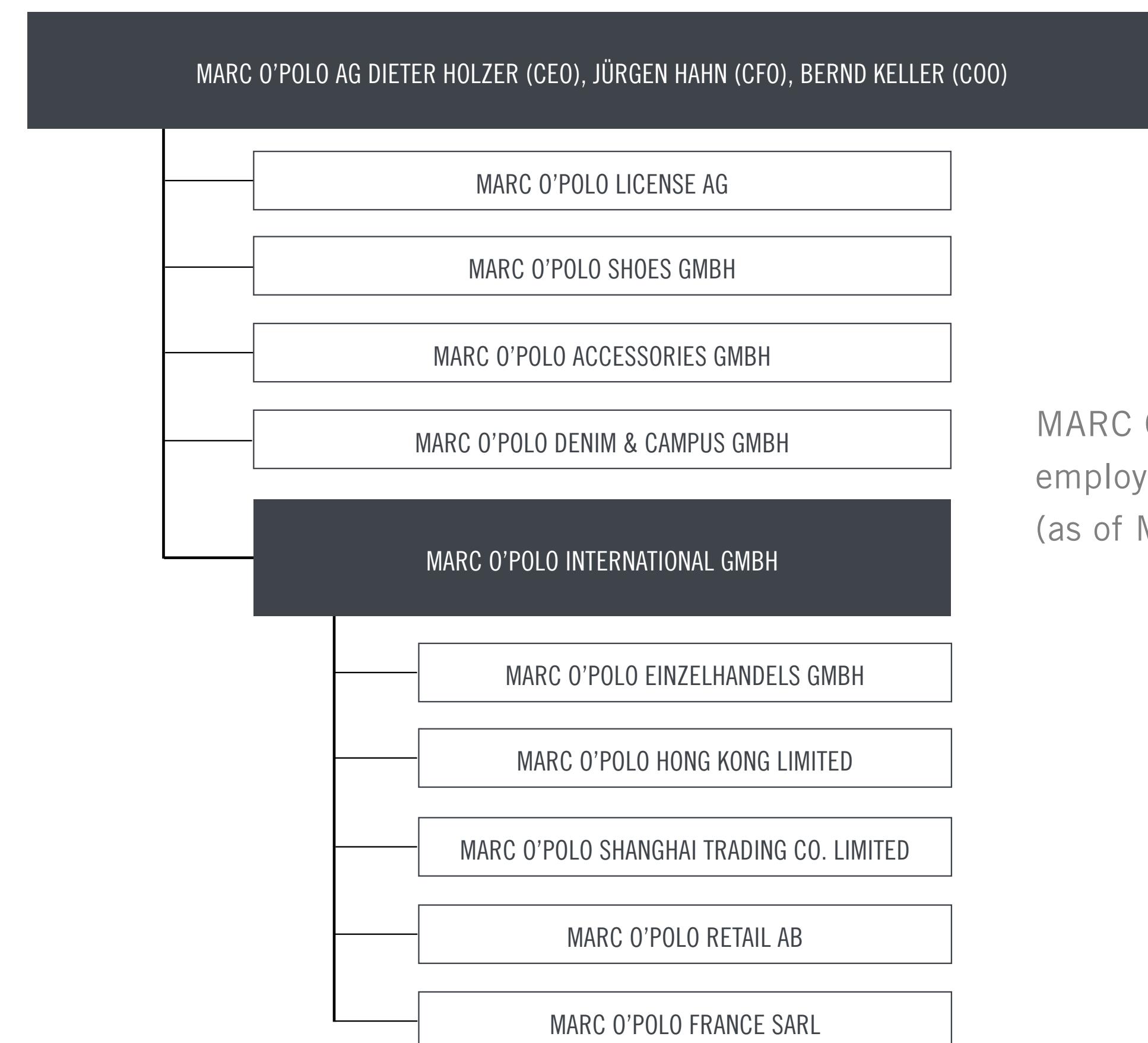
At the headquarters in Stephanskirchen, MARC O’POLO International GmbH is responsible for design, production and sales.

MARC O’POLO Einzelhandels GmbH manages the operation of its stores and the online shop in numerous European countries.

Two other companies, MARC O’POLO Shoes GmbH and the MARC O’POLO Accessories GmbH, are responsible for the design, purchase, and sales of shoes, bags and other small leather goods.

DENIM & CAMPUS GmbH controls the products of the MARC O’POLO DENIM brand.

MARC O’POLO License AG is responsible for the marketing and the licensing business of the MARC O’POLO brand. It also holds the trademark rights for MARC O’POLO.



MARC O’POLO has 1,842 employees worldwide (as of May 2017).



## Corporate leadership

MARC O’POLO has been an owner-managed company since 1967. MARC O’POLO is committed to the principle of sustainability. It is therefore natural for us to take responsibility for our actions. Our goal is to unite economically reasonable with ecologically and socially accepted action.

Following the German stock corporation law, a supervisory board advises and overlooks the three-member board in the management of the company. It is involved in strategy and planning as well as all fundamental business issues.

## Recognizing risks and using them as opportunities

The principles of good corporate governance include the responsible handling of business risks. For this purpose, MARC O’POLO AG uses a risk management system that serves as the basis for a targeted analysis and qualitative evaluation of the internal and external risks, as well as potential risks. MARC O’POLO works with a detailed reporting system as well as Balanced Scorecards to identify possible risks and address them as early as possible. In 2014, we utilized the latter to embed sustainability indicators in corporate management.

## Seven dimensions to promote targeted corporate development

Together with business partners and customers, we create lasting values and products of high quality.

In 2014, we defined seven dimensions as part of a strategy process, the contents of which were updated again in 2015. They direct the way for the corporate development of MARC O’POLO.

A central dimension that inherits a unique value in the overall business is the freedom to make our business decisions. The high equity-capital ratio puts MARC O’POLO in a position to make the necessary investments for long-term economic success independently.

## Integrity as a matter of principle

We do not lobby or donate for political purposes. A data protection officer monitors the confidential handling of customer, supplier, and employee data. No fines were paid for non-compliance during the reporting period. Furthermore, there were no compliance violations.

*„If you want everything to stay as it is, you have to keep changing things.“*

Werner Böck

## *Our collections*



Our core collection **Casual Women & Casual Men** defines the style of **MARC O’POLO**. It stands for urban Designs – clean, sophisticated, and contemporary.

**MARC O’POLO PURE** complements the casual collection in womenswear. The use of rare materials, as well as a design language of its own, create unique value that expands the offer in the modern premium feminine segment.

The **MARC O’POLO Mr.** Collection increases the portfolio of MARC O’POLO Casual Menswear with a modern, casual men’s clothing line in the upper casual segment.

**MARC O’POLO DENIM** embodies contemporary denim: natural, self-confident, creative, multicultural, unique, and independent.

The MARC O’POLO DNA translates into high-quality shoes for men and women in the **MARC O’POLO Shoes** collection, season after season. Tailored to match looks and trends in outerwear, they complement the casual outfit.

The spirit of the premium modern casual collections also shapes the **MARC O’POLO Accessories** collection. The preference for natural materials, distinctive details and combinations can be found in casual urban bags and leather goods.

With our licensed products, we expanding our collection in the segments Bodywear, Beachwear, Eyewear, Legwear, Home and Junior with stylish everyday companions, which round off our product range. We collaborate with selected partners, who share our quality standards and design as well as our values.



## OUR OPERATIONS

In the fiscal year 2016/2017, MARC O’POLO generated group-wide brand sales (including license) of EUR 460 million, which is 0.9 percent below the previous year’s level (as of 31.05.2017).

The return on sales after taxes was in the single-digit range for the reporting year. Our equity ratio remains quite high.

Germany accounts for 67 percent of sales and 33 percent of exports. Other important markets are the Benelux countries, Austria, and Switzerland. Since 2014, we have established a successful presence in the Chinese market and are continuing to expand our activities there.

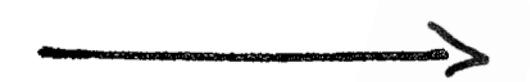
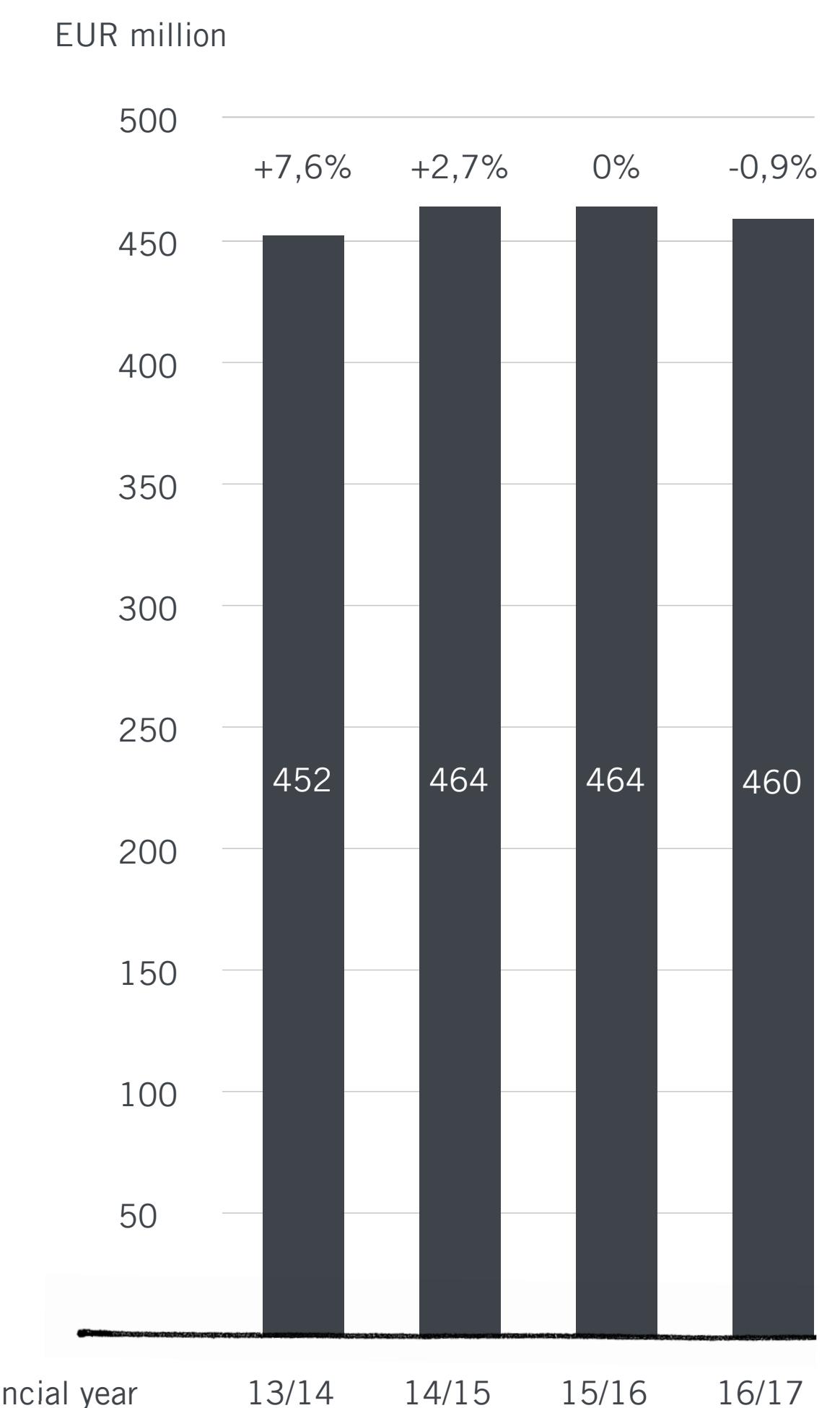
In light of the challenges in the fashion industry, we are quite satisfied with this result.

### Continuous positive development

We proactively work towards continuous positive development with the help of expressive collections, the constant sharpening of our lines and the development of new markets.

To prepare ourselves for the future and better serve customers’ changing purchasing behavior, we are moving forward with the digitization of MARC O’POLO, among other things.

For us, it is essential to have a holistic view. Digitization has an impact not only on the touchpoints with our customers but also affects the internal processes and work procedures of our employees, as well as the organization of their work and cooperation with our business partners.



# Marc O'Polo



## Sales structure

MARC O'POLO International GmbH, based in Stephanskirchen, is responsible for the national and international distribution of MARC O'POLO products. MARC O'POLO offers eight collections in the modern casual premium segment every year, each with ten delivery dates. Additional lines include the MARC O'POLO PURE and MARC O'POLO Mr. collections, as well as MARC O'POLO DENIM, available since the spring/summer season 2016.

## Experience the world of MARC O'POLO

The MARC O'POLO stores are essential for brand presence. Here, we can present the MARC O'POLO world and our entire collections to our customers. In addition to 77 stores in Germany, we operate 44 stores of our own abroad.

As of May, 2017, MARC O'POLO International GmbH in Germany supplied 2,206 distribution partners across all collections.

## Our distribution channels

Number of national and international stores owned by MARC O'POLO	Stores 121
Franchise-Stores	169
Trading partners	1,916

MARC O'POLO supplies over 1,900 trading partners worldwide.



# *Our approach to sustainability*

Sustainability is one of the seven dimensions that are essential to our success.

# OUR STRATEGIC APPROACH

Respect for man and nature has always been an essential part of MARC O’POLO. Sustainability for us involves combining economic success with environmental awareness and social responsibility.

This triad plays a vital role for us – in the past, now, and in the future. To ensure that sustainability remains an integral part of MARC O’POLO, we made it one of the seven dimensions of corporate strategy. Therefore, we initiated a strategy process in the company within the reporting period to refine the dimension of sustainability.

As a German company in the clothing industry, we are part of an industry that is undergoing profound structural change and faces numerous challenges. Other important factors are the global value chain, rising competition, cost pressure and decreasing willingness to pay among customers, changing purchasing behavior, and

growing social awareness. We face these growing demands with our ability to innovate and adapt.

## We recognize our responsibility

Our challenge lies in reconciling the laws of the market, and the varied customer needs with our criteria for sustainability. Accordingly, long-term value creation determines the entrepreneurial activity of MARC O’POLO. The way and speed at which the market changes creates tension in combination with sustainability.

Together with business partners, suppliers, and other stakeholders, we strive for maximum efficiency within our value chain, along with development towards socially responsible and ecologically valuable clothing.

*We do this out of conviction.*



## Focusing on our activities

Our strategic orientation bundles all relevant topics and activities of MARC O’POLO within various areas of activity. Our main topics are based on the analysis of the internal and the external priorities. In this way, we align our core values with the social and environmental challenges of the clothing and textile industry as well as the expectations of our stakeholders.

In the reporting year, we expanded our areas of action by one component to a total of six. For products and suppliers, we have defined two action fields with the goal of achieving maximum efficiency through independent validity.

## Six areas of activity and main topics

Competitiveness plays a significant role in our **corporate governance**. We increase competition through targeted investments along with our values and principles, according to which we act. Optimized processes, our strategic goals, and controlling, as well as quality and risk management, help us to meet the high standards we set ourselves and our products. We are in an ongoing dialogue with our stakeholders, which allows us to engage in thorough external reflection.

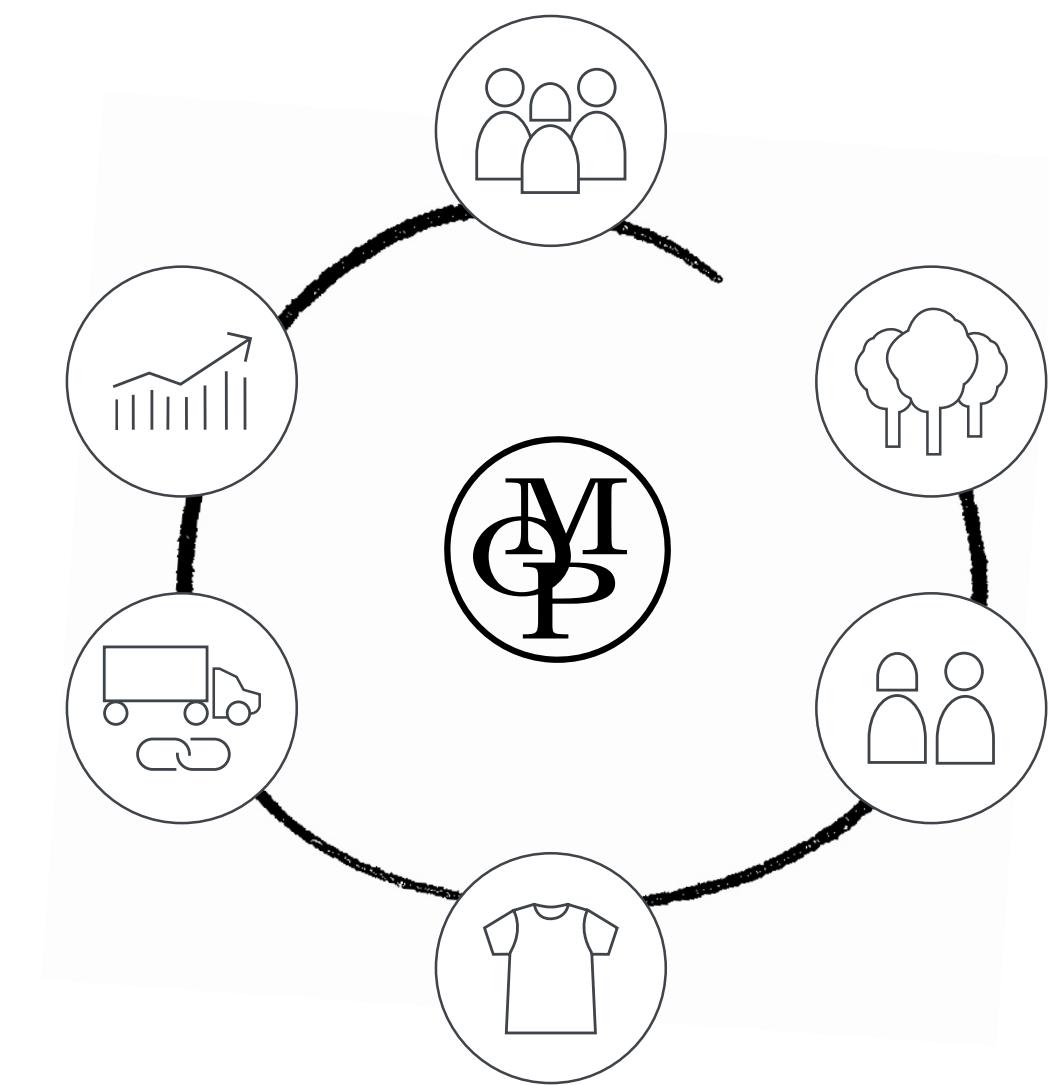
Addressing social and ecological topics more effectively entails that we depend on long-term supplier relationships.

We have high standards for the quality and safety of our **products**. We support the increased use of sustainable materials and the observance of our animal welfare policy.

Our company’s success is based on the satisfaction and the diversity of our **employees**. We live a corporate culture based on values and do our utmost to keep the attractiveness of our locations at a maximum level. Our ability to innovate plays a vital role here too.

We are aware of our responsibility for the **environment**. For this reason, we depend on efficient energy and resource management, green IT as well as climate-friendly mobility concepts.

We treat our responsibility towards **society** with equal concern, which we assume through our social and cultural engagement. Moreover, we attempt to promote sustainable consumption, timeless and long-lasting products and to support our operations through ethical marketing.



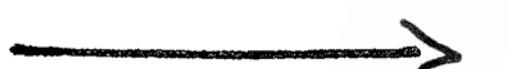


## *Sustainability management*

We have selected an integrated approach and depend on several strategies and operations to address the sustainability-related topics in our company adequately.

In the reporting period, we have structured our sustainability management with more clarity. On the one hand, we have integrated the critical figures of our sustainability report in our company-wide balanced scorecards.

We regularly report to our executive board employing an aggregated balanced scorecard that includes the key sustainability figures. On the other hand, we have broadened the organization and allocated new responsibilities.



# Marc O’Polo

## Decentralized anchoring of our sustainability management

The decentral organization of sustainability management forms an integral part of the roles within our company, among them are staff functions within purchasing and production as well as staff functions, which report to the executive board directly. To ensure a holistic approach, we have established a *Product Sustainability Core Team*, which provides a platform for the additional functional areas of sustainability and has a steering and coordination function in the company. In doing so, we promote an interdisciplinary exchange.

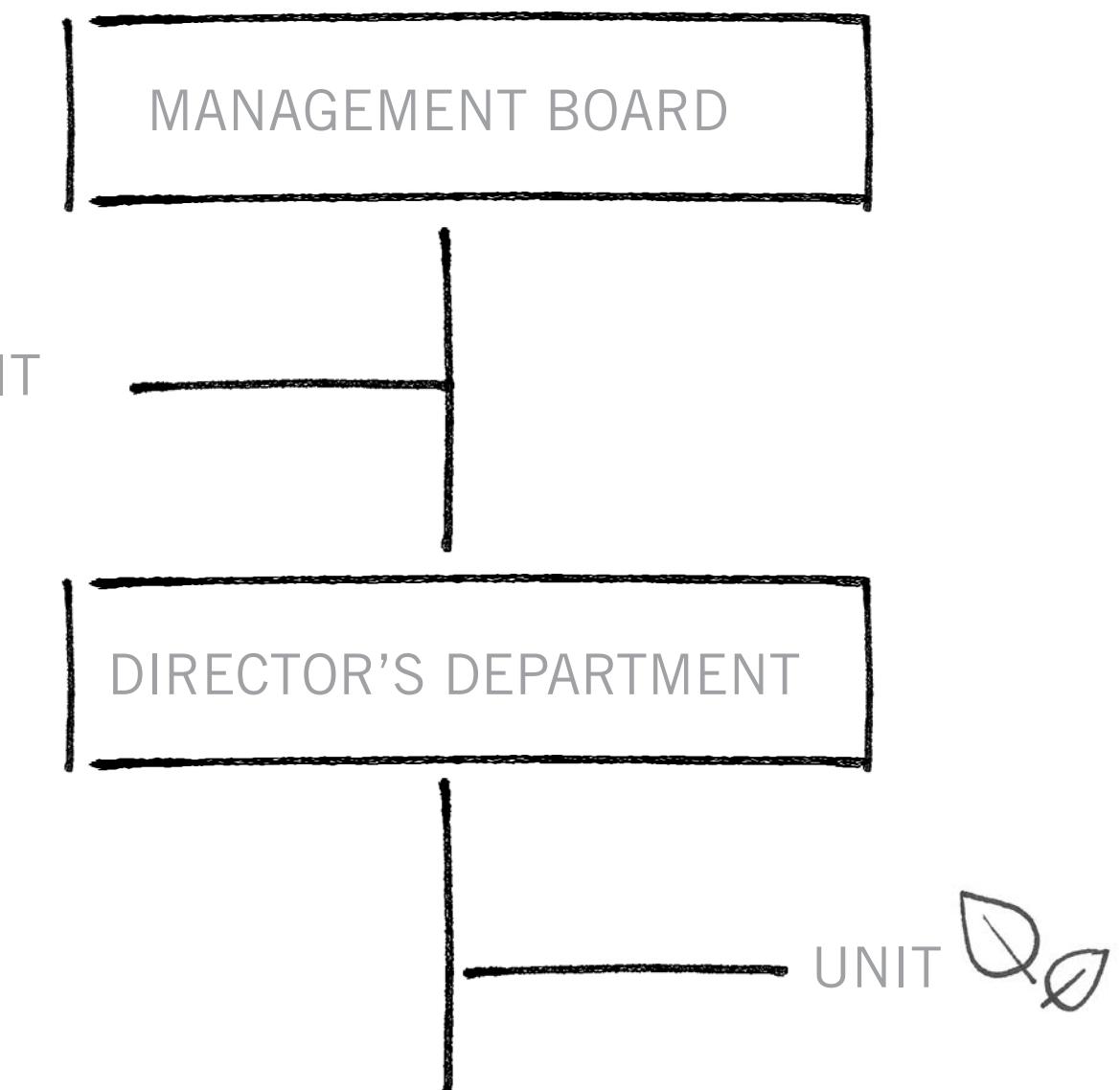
A strategic sustainability manager reports directly to our CFO. In her role as *energy management officer*, she coordinates the energy team and works with them to create measures and energy goals.

Since spring 2017, our strategic brand manager has completed the team. Along with the experts from the company, he develops a long-term sustainability strategy for product development and reports directly to the COO.

We have two sustainability managers and one social compliance manager in our buying and production departments for MARC O’POLO International GmbH and MARC O’POLO DENIM & CAMPUS GmbH who are responsible for sustainability-relevant topics along our supply chain.

Working together with the various business units, suppliers, and business partners, they develop strategic and operative measures to continuously improve the social and ecological conditions in the manufacturing of our products.

From our perspective, the holistic view and consistency of our sustainability approach are of particular importance for the MARC O’POLO collections. The Product Sustainability Core Team supervises the companywide coordination and control of product sustainability at MARC O’POLO. In this context, we understand product sustainability as a driver for value-oriented development and innovative design. The team consists of representatives, so-called “multipliers”, from the departments Brand & Design, Communication, Sustainability Management, and Licenses. Multipliers are primarily tasked with the transfer of information related to questions, ideas, and decisions on product sustainability in the departments and vice-versa. In the long term, we want to establish a secure internal network, which we can extend to other areas of activity in the field of sustainability.



\* simplyfied presentation

## Exchange with our stakeholders

In addition to the personal exchange with our stakeholders, we engage in initiatives and memberships, participate in events and workshops, invite companies as well as groups of people from various industries to our headquarters or our showrooms for discussions.

In the reporting year, the sustainability team has initiated a renewed analysis of our key stakeholders. We are confident that a regular review of the needs of our stakeholders serves to improve the quality of the dialogue and create new forms of exchange.

### Meeting the information needs of our clients

It is a vital matter of concern to us that we inform our clients and consumers thoroughly. We reply to consumer inquiries personally and swiftly. Driven by the objective of increasing responsiveness to consumer's needs further, we systematically assess consumer queries. We carried out such an evaluation during the year under review. Accordingly, our consumers most frequently inquire about the country of manufacture of our products.

To meet these information needs, MARC O’POLO will disclose the manufacturing country on the product in the future. As a first step, we can implement this from spring/summer 2018 for products made by MARC O’POLO International GmbH and MARC O’POLO DENIM & CAMPUS GmbH.

### Meeting the information needs of our employees

To meet the internal information needs of our company, we increased the dialogue with our employees in 2015. In addition to the quarterly information event at our headquarters, the board of directors publishes the *CEO News* every two months; these inform everyone about critical developments and company objectives. The website *Share with MARC O’POLO* gives employees the opportunity to post anonymous suggestions and criticism.

We review any topics that reach us through various dialog channels – including consultation with the management board. In doing so, we analyze to what extent these items will be taken into consideration in the future. Our employees are informed immediately of the results through the *Intranet*.

### ACHIEVING MORE TOGETHER

#### – OUR ENGAGEMENT IN MULTISTAKEHOLDER INITIATIVES:

- Business Social Compliance Initiative (BSCI)
- Dialog Textilbekleidung (DTB)
- Textile Exchange (sustainable textile standards)
- German Fashion Association Germany e. V.
- Fair Company (employers' initiative for fair internships)
- Human Capital Club e. V.
- Deutsche Gesellschaft für Personalführung e. V. (DGFP)
- GS1 Germany GmbH/GS1 Retail AB (standards for article identification)
- ICA Rosenheim (regional business exchange)
- Association of the state vocational school 2 Rosenheim e. V.



# Marc O’Polo

## **Stakeholders of MARC O’POLO AG**

Presentation restricted to the topics of the 2016-2017 report.

### **X Textile industry**

Associations / competitors / training courses and seminars on specific topics (such as Dialog Textilbekleidung [DTB], German Fashion)

*Topics:* current Information / market and legal conditions / best practice in sustainability management

### **X Employees**

Intranet *Inside MARC O’POLO* / *Happy Hour* / *CEO News* / *Round Tables* with the management board / feedback page *Share with MARC O’POLO* / presentations

*Topics:* current topics and projects / changes in stores and at headquarters / suggestions and criticism

### **Suppliers**

Personal exchange / collaboration with sustainability management / invitation to headquarters and regular visits to the production sites / *Code of Conduct* / *Ethical Sourcing Standards*

*Topics:* planning security / long-term cooperation

### **Business partners**

Licensing partners / cooperation partners / banks

*Topics:* survey of wholesale customers / events for franchise partners / exchange meetings / buying guidelines / customer satisfaction (wholesale) / market shares

### **X Shareholders**

Management report / annual general meeting / personal exchange / monthly board meeting / supervisory board meeting

*Topics:* long-term profitability / good employer / implementation of the vision / achievement of strategic goals

### **X Customers and consumers**

Website / sustainability report / customer survey / direct Sales and customer service / answering individual inquiries / events in stores

*Topics:* production countries / product responsibility / social responsibility / supply chain / animal welfare / customer satisfaction

### **X Society**

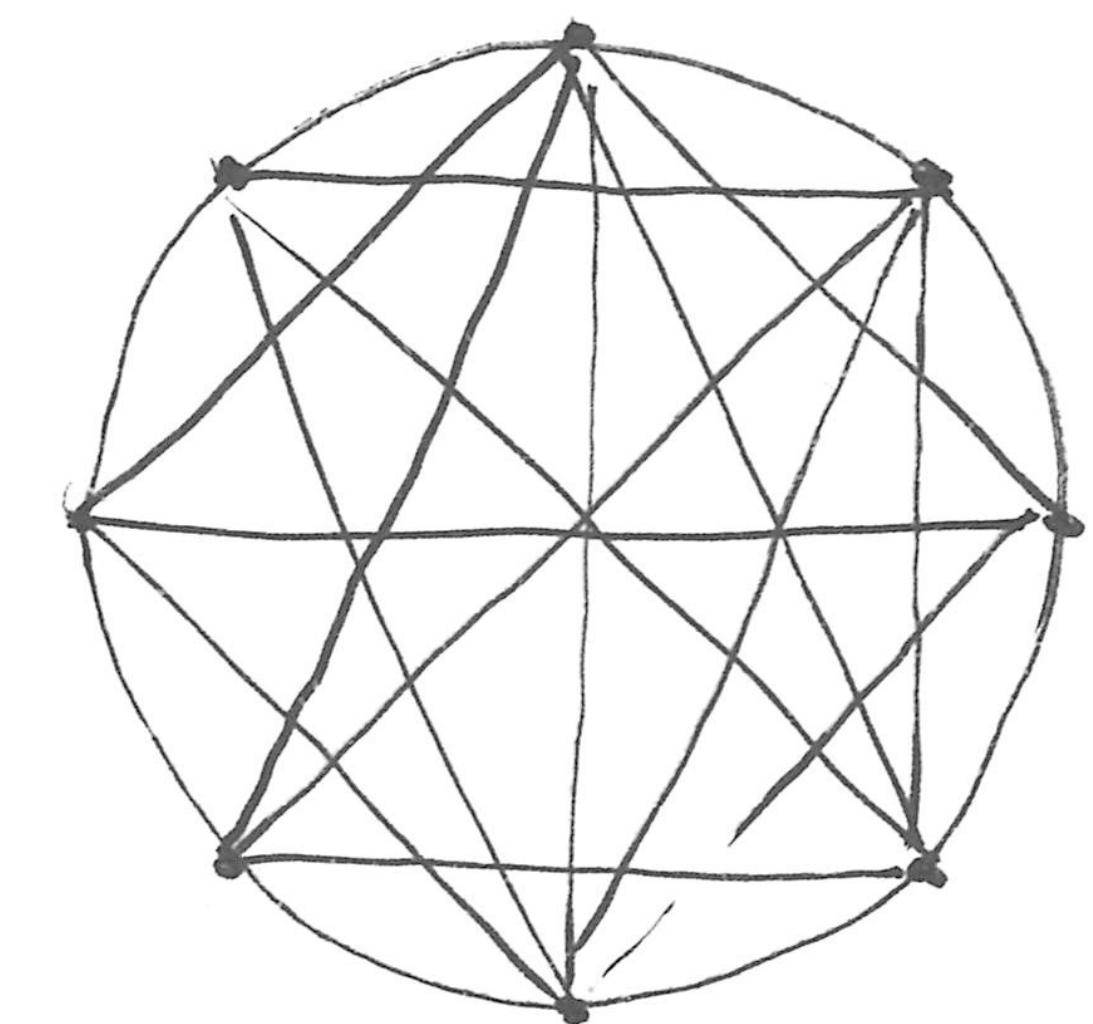
Potential employees / region Stephanskirchen / public relations & press / website / sustainability report / university partnerships & lectures / events at headquarters / direct contact with community, neighbors, and other companies in the region

*Topics:* social responsibility in the region / educational mandate / readiness to engage in dialogue

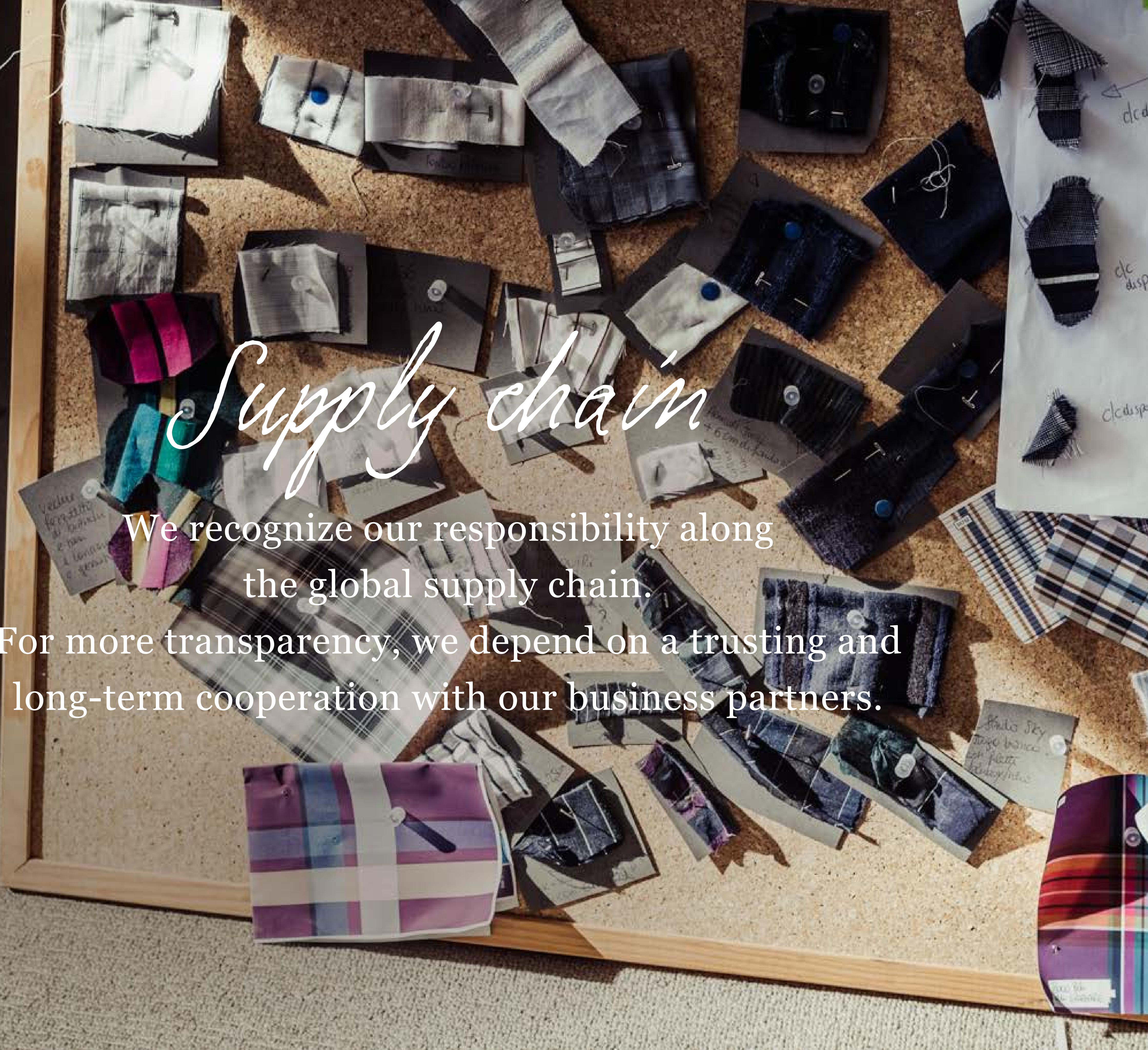
### **X Initiatives and NGOs**

FTA Sustainability National Contact Group (twice annually) / FTA annual conference and general assembly / dialog within the *Textile Exchange* membership

*Topics:* sustainability standards in the supply chain



MARC O’POLO maintains a continuous dialog with internal and external stakeholders.



# *Supply chain*

We recognize our responsibility along  
the global supply chain.

For more transparency, we depend on a trusting and  
long-term cooperation with our business partners.

## Our challenges

The supply chain contains several ecological and social challenges. Such aspirations also entail that they are manufactured under decent working conditions. Within our business, we try to enforce our values and requirements in cooperation with our suppliers. As a medium-sized company, MARC O’POLO alone has only a limited degree of power.

That is why we depend on trusting partnerships and the bundled strength of cooperations, for example as part of our membership in the *Business Social Compliance Initiative (BSCI)*. Moreover, we try to focus our resources on those solutions that we can influence and control adequately.

### Our influence in the supply chain

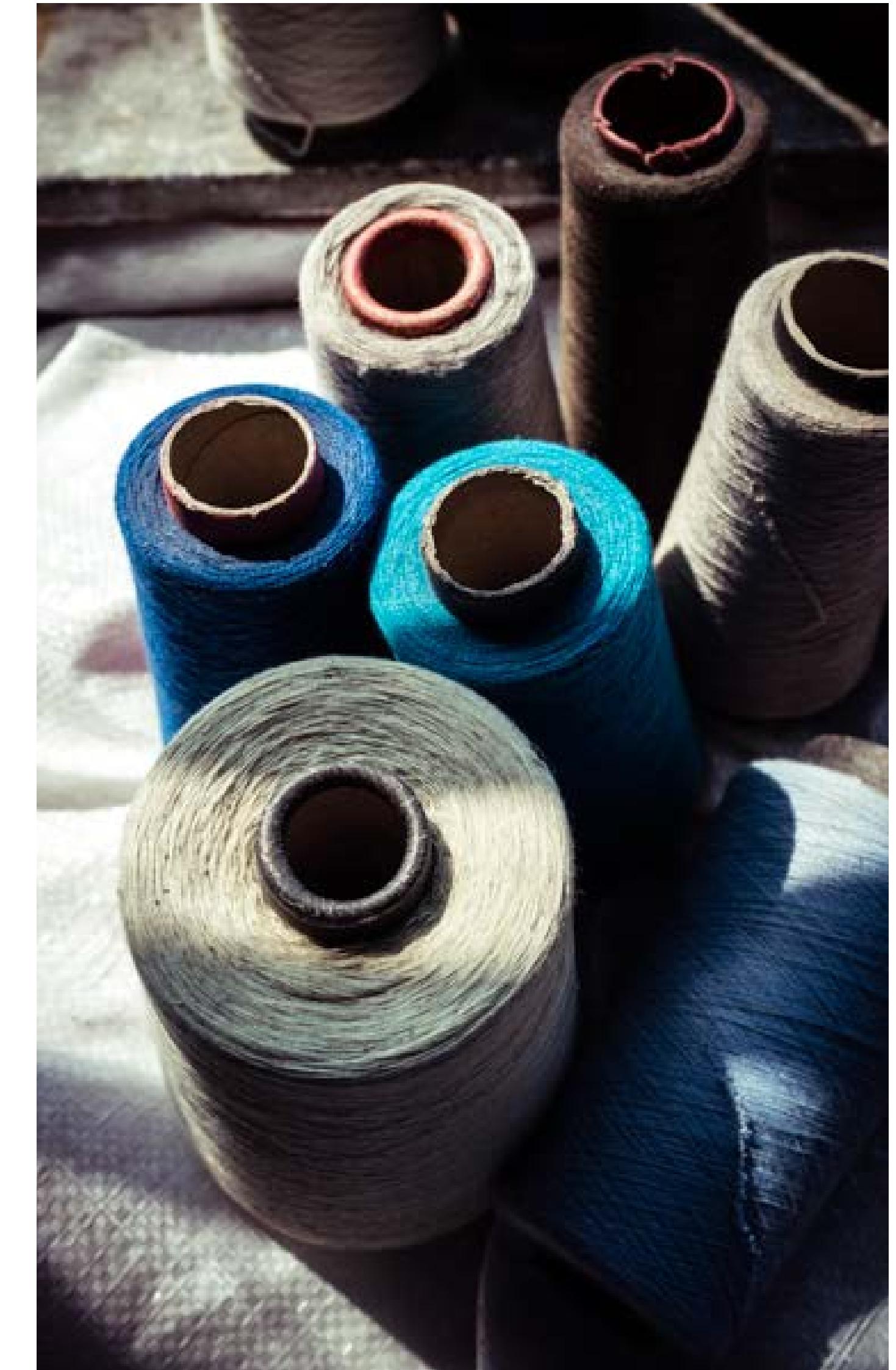
The supply chain of the clothing industry is complex. It is characterized by a high division of labor and personnel-intensive production. The textile supply chain faces many environmental and social challenges. The fashion-related orientation of our products and the product variety in our collection leads to many direct

as well as indirect supplier relationships. The frequent change of collections usually results in an immense pressure of time.

Our challenge is to ensure that our sustainability measures effectively influence the various production phases (see illustration on next page). To be able to compete in this fiercely competitive industry, we produce in production countries that are common in the textile industry. Our suppliers are mainly located in China, India, and Turkey. These are associated with structural and geographical risks for sustainability management, such as political changes or the relocation to new production countries.

### Changes require additional efforts

In the countries of production, lower standards usually apply to the protection of workers and the environment or the use of chemicals. Hence, additional efforts are needed to reconcile local conditions with our standards and values as well as the requirements of our customers.

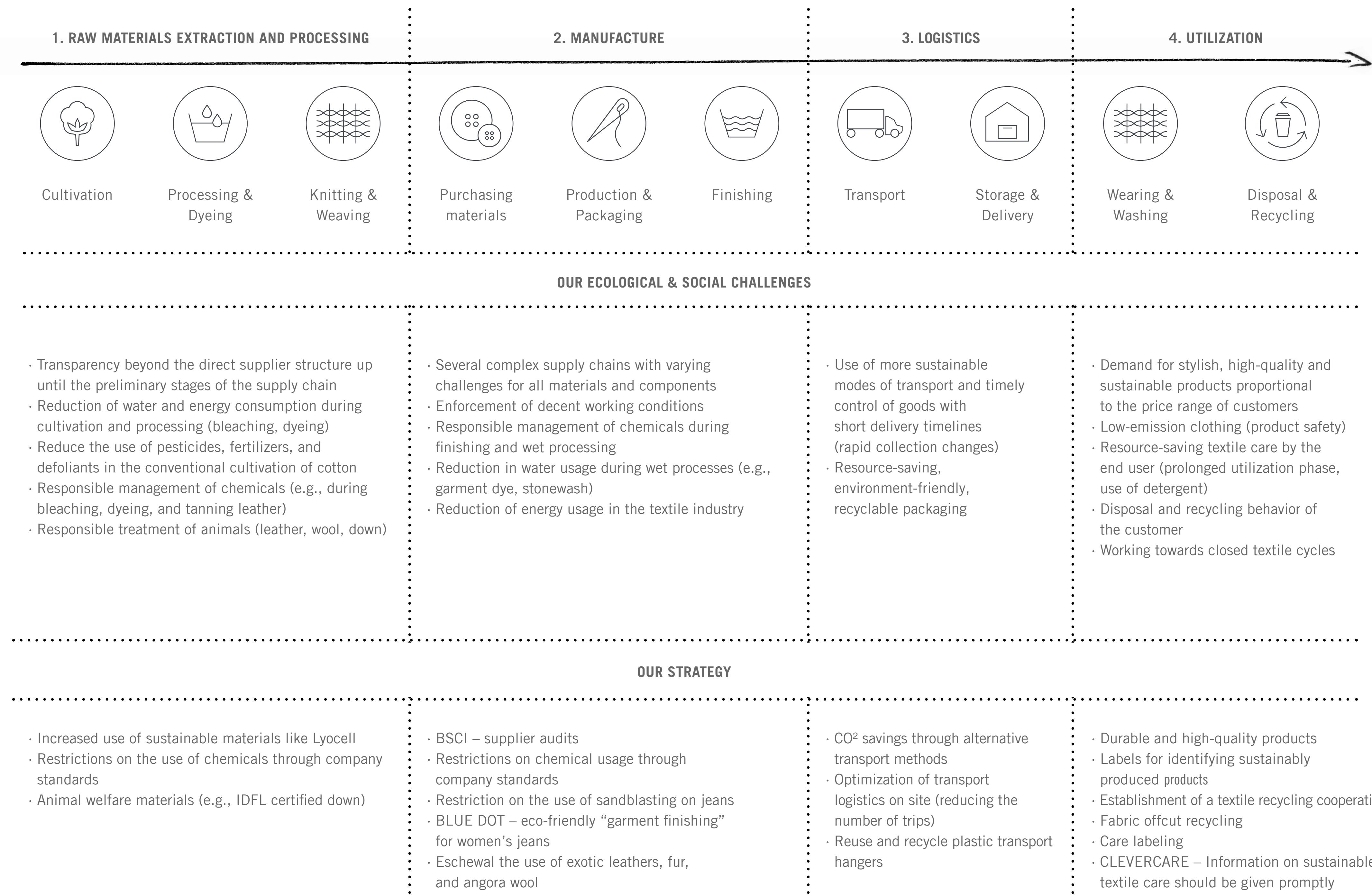


Our aim is that our products are manufactured under decent working conditions.



# Marc O’Polo

## Overview of our supply chain



## Our responsibility in the supply chain

MARC O’POLO strives to establish a lasting and open collaboration with all partners in the supply chain. We pursue a buying strategy that relies on trust and continuity. This approach provides greater transparency and security as to where and under what conditions our products are manufactured.

In the reporting period, we integrated the supply chain management tool OSCA® into the planning and production processes of MARC O’POLO International and MARC O’POLO DENIM & CAMPUS GmbH. As a result, we will be able to improve the transparency of our supply chain in the long term.

### Trusting partnerships

We consider it important to work with partners who implement our requirements for working conditions. At present, we are reducing the number of direct suppliers at MARC O’POLO International GmbH and MARC O’POLO DENIM & CAMPUS GmbH, which increases our opportunities to exert influence.

Fair and decent working conditions are not apparent in some producing countries. Withdrawing from these regions would not be helpful to the local workforce – a significant proportion of which are women. Often, jobs in the textile industry provide the only opportunity to generate income. Instead of avoiding certain producing countries,

we believe it is essential, within our scope of influence, to ensure that our suppliers implement improvement measures within the working conditions.

### MARC O’POLO Code of Conduct

The *Code of Conduct* of the *Business Social Compliance Initiative (BSCI)* forms the basis for the production of our products and the implementation of our values. It is compulsory for the suppliers. The *BSCI Code of Conduct* takes into account the relevant international guidelines and agreements on human rights, health and safety, and fairness in the supply chain. We monitor the implementation through regular audits.

### MARC O’POLO Ethical Sourcing Standard

Beyond that, our *Ethical Sourcing Standard* stipulates the requirements for animal welfare, use of materials and the prohibition of certain production techniques, such as sandblasting.

### Responsibility for the subsequent steps

We consider the transport and delivery of our goods, as well as the required packaging, as subsequent steps to our supply chain. Here, too, we aim to develop sustainable solutions and measures. Additionally, we see it as our responsibility to concern ourselves with the appropriate use and care of garments and to inform our clients accordingly.

OUR CODE OF CONDUCT  
INCLUDES THE FOLLOWING  
INTERNATIONAL DIRECTIVES  
AND AGREEMENTS:

- Core labor standards of the International Labor Organization (ILO)
- Universal Declaration of Human Rights
- UNICEF guidelines on children’s rights and entrepreneurship
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- UN Global Compact



## The Business Social Compliance Initiative (BSCI)

In cooperation with others, solutions can be developed that go beyond the capabilities of individual companies to exert influence. The *BSCI* is an initiative of commercial enterprises and operates under the umbrella of the *Foreign Trade Association (FTA)*. It stands for a globally uniform system for monitoring and improving minimum requirements, which encompasses a joint auditing system and the corresponding training measures.

### BSCI principles

- **Right to freedom of association and collective bargaining**  
Respect the right of workers to form trade unions and to engage collective bargaining
- **No discrimination**  
Ensuring equal opportunities and no discrimination against workers
- **Fair remuneration**  
Respect for the right to fair remuneration, meaning payment of at least the statutory minimum or, if higher, the industrial standard approved on the basis of collective bargaining
- **Decent working hours**  
Compliance with the statutory regulation of working hours
- **Occupational health and safety**  
Ensuring a healthy and safe working environment

MARC O’POLO International GmbH has been a member of the *BSCI* since 2009. In 2014, the membership was extended to MARC O’POLO AG to expand the system step by step to the subsidiaries as well. Restructuring of the subsidiaries entails that our partners need to become more familiar according with the *BSCI* Audit Standard. *BSCI* offers its member companies an industry-leading supply chain management system to improve working conditions in the global supply chain. This way, social standards can be monitored and a continuous improvement process initiated.

### • No child labor

No employment of workers under the legal minimum age

### • Protection of young workers

Providing special protection for non-adult workers

### • No precarious employment

Recruitment based on documented employment according to the law

### • No bonded labour

No involvement in any form of forced servitude, trafficked or non-voluntary labour

### • Protection of the environment

Taking the necessary measures to prevent environmental damage

### • Ethical business practices

No toleration of any acts of corruption, extortion, and embezzlement

## THE BSCI SYSTEM IS BASED ON THREE PILLARS

### 1. MONITORING

Monitoring of suppliers, as well as follow-up of corrective actions based on the BSCI audit standards.

### 2. EMPOWERING

Enabling suppliers to implement improvements through free workshops.

### 3. ENGAGING

Dialog with national and international stakeholders such as government representatives, NGOs, trade unions, company representatives, buyers, and suppliers. Violations in the supply chain are often caused by structural, political, cultural and economic challenges.



## Audits to ensure compliance with social standards

We primarily perform *BSCI* audits in countries of risk. Whether a country is considered to be in the risk category is defined according to the Countries Risk Classification by the *Foreign Trade Association*. In this context, the particular focus is on sewing, since this activity is less automated and very personnel intensive. Independent auditors perform the audits.

The audits allow us to gain a better impression of the state of implementation of decent working conditions. They can reveal weaknesses and highlight possible opportunities for improvement.

Violations of our *Code of Conduct* cannot entirely be eliminated. As a *BSCI* member, we, therefore, expect continuous improvement from our direct suppliers.

## Improvement through dialog as a central goal

In line with the goals of the *BSCI*, we aim to engage in a dialog with our suppliers that leads to continuous and lasting improvement.

It includes training measures within the *FTA Academy* that leads to an increased understanding and acceptance of the social requirements among factories and their managers. The *BSCI* also counts on a dialog with governments, trade unions, and other non-governmental organizations.

In 2016, the *FTA*, the umbrella organization of the *BSCI*, launched the *FTA Academy*. Production facilities that require support in implementing the *BSCI* requirements can participate in free workshops and webinars. The costs are borne by the annual membership fees.

## SA8000 certification

In addition to the *BSCI* standard, we accept companies with a valid *SA8000* certificate from the *Social Accountability International (SAI)*, a multi-stakeholder initiative. A manufacturer with a valid *SA8000* certification receives the rating “good” in the *BSCI* system.



## The audit process

In the context of the *BSCI* audits, we work with independent auditing and certification companies accredited by the *Social Accountability Accreditation Services (SAAS)*. The *BSCI* approved auditing companies are regularly audited as part of the *BSCI* quality assurance programm. The auditors usually come from the same region as the production facility under review and they speak the same language as the workers. We aim to ensure that our social audits are carried out according to globally uniform standards.

The scope, validity, and duration of these audits are defined according to the regulations of the *BSCI*. Moreover, the *BSCI* conducts unannounced audits in the course of so-called *Random Unannounced Checks (RUC)*. The sampling procedure is the responsibility of the Secretariat of the *Foreign Trade Association*.

## Implications of the audits

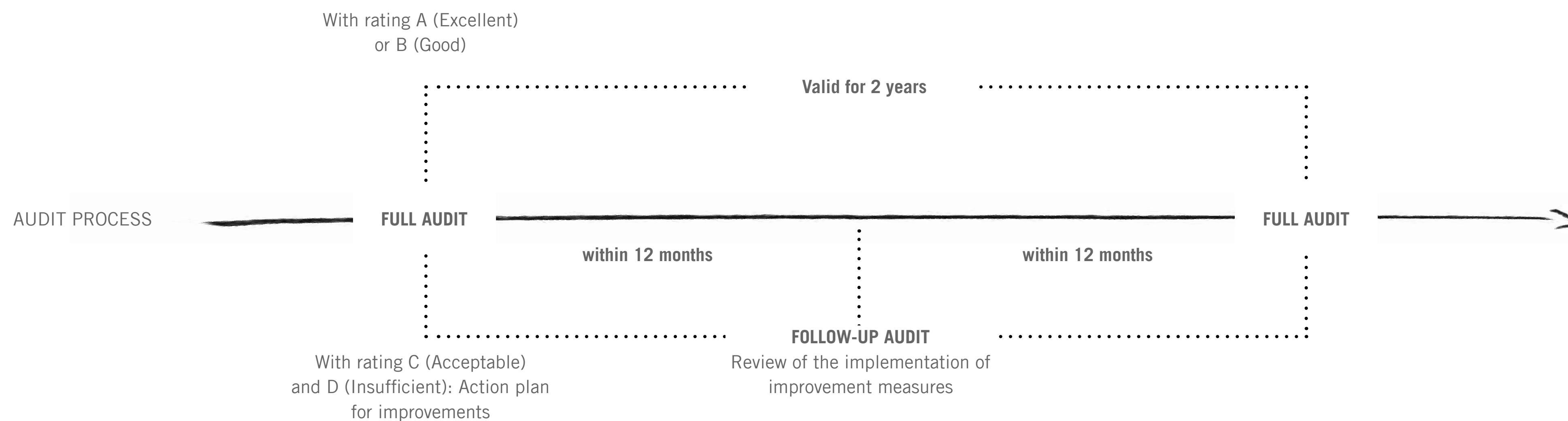
The *BSCI* audits examine the extent to which suppliers comply with minimum social standards, with the following potential implications:

If a supplier completes the first or repeated *BSCI* audit with the grade “excellent” or “good,” a re-examination will only be carried out after two years.

If the rating falls below that, an action plan for improvement shall be drawn up, the implementation of which will be reviewed after one year at the latest.

If a supplier is found to be in serious or repeated breach of the *BSCI Code of Conduct*, we may consider terminating the business relationship. However, we use the exclusion of suppliers only as a last resort.

Since January 2017, we have changed the *BSCI* audits to “semi-announced.” We provide our suppliers with a 4-week window in which the audit is carried out unannounced.





## Marc O’Polo

### Transport & Logistik

The transport and delivery of our goods are part of the value chain that we can actively shape and improve. Where possible, we rely on sea freight and rail as a means of transport and try to reduce the use of air freight. We were able to further expand direct deliveries to retail by the supplier (an intermediate service provider, who inspects and selects the goods for sale), which were already introduced in the past reporting year. In this way we were able to reduce unnecessary transport routes and costs.

### Packaging

We use plastic hangers for the transport of our hanging goods to the retail. In 2015, MARC O’POLO launched a concept to recycle hangers with the aim of keeping them in a material cycle and thus, conserve resources. The collected hangers are sorted by a service provider and subsequently

reused by MARC O’POLO. Broken hangers serve as raw material for new hangers. After a one-year test period, the concept of recycling hangers was rolled out Germany-wide in 2016. Around fifty percent of all branches belonging to MARC O’POLO Einzelhandels GmbH and MARC O’POLO headquarters are currently participating in the recycling of hangers. In the year under review, we recycled around 25,000 plastic hangers and were able to keep them in a material cycle.

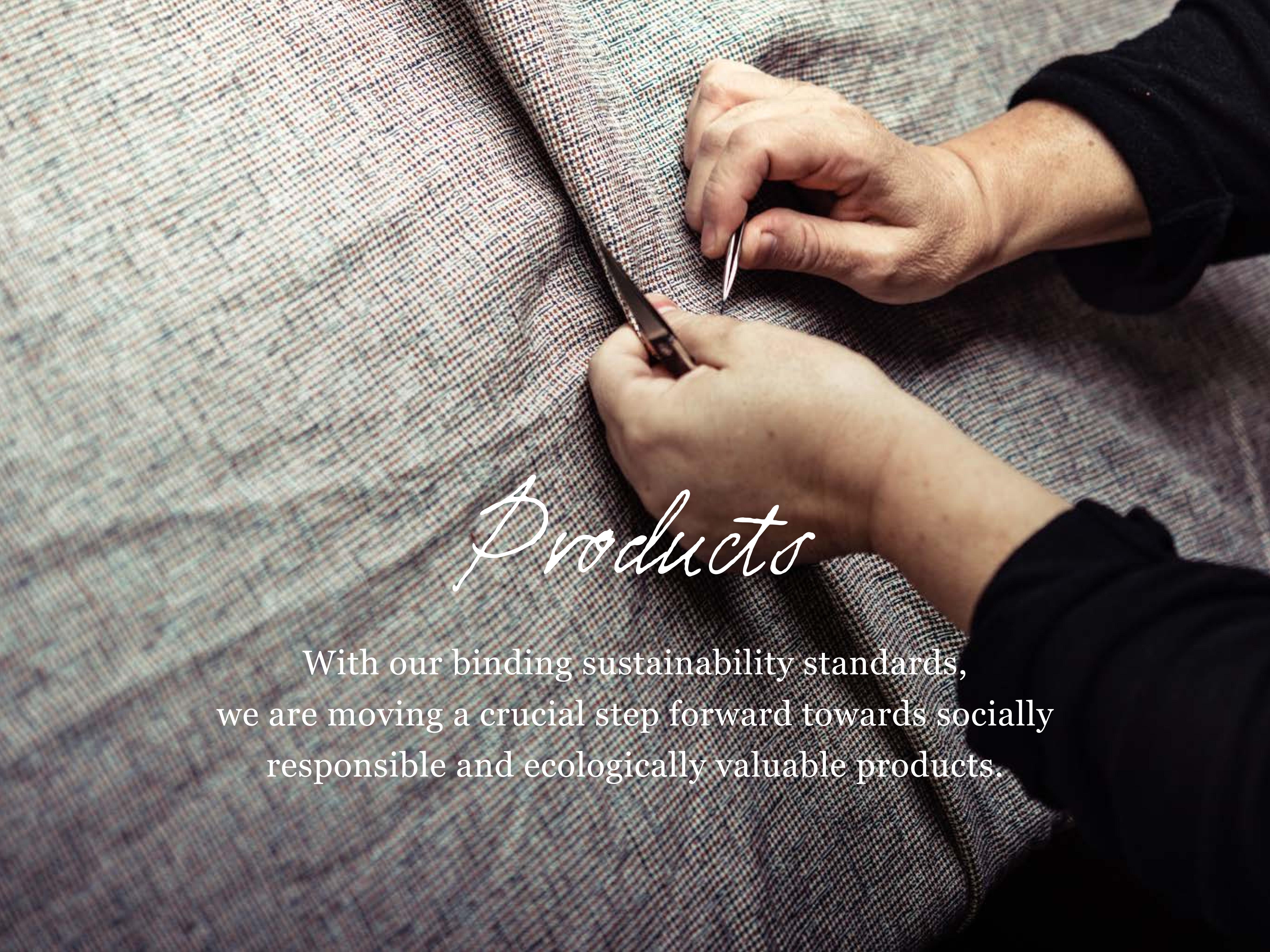
Our B2B transport cardboard packaging as well as the bulk of our packaging material in the retail market, are certified by the *FSC (Forest Stewardship Council)*.

### Textile Care and how to prolong a garment’s life

Correct and conscious textile care can positively affect the environmental impact and extend the life of textiles. For this reason, MARC O’POLO made the decision in the year under review to establish the consumer communication CLEVERCARE presently. The aim is to further sensitize customers to diligent care and provide useful advice for sustainable textile care.

In the year under review, we collected 25,000 plastic hangers as part of our project to recycle hangers, reused them and thus kept them in the material cycle.

Going forward, we will use CLEVERCARE to share relevant information on sustainable textile care.



# *Products*

With our binding sustainability standards,  
we are moving a crucial step forward towards socially  
responsible and ecologically valuable products.

## Our challenges

MARC O’POLO stands for a high-quality, contemporary Premium Modern Casual Wear – across all collections and licenses. We place high demands on the quality of our products, especially on the materials used and their processing.

Many countries that produce raw materials and textiles are governed by low environmental standards; this can have grave consequences for both the environment and human health. The textile supply chain faces multiple challenges, particularly during the extraction, processing, and refinement of raw materials.

For instance, the textile production adversely affects the local ecological system through the cultivation of raw materials from single-crop systems, often accompanied by the extensive use of pesticides. Additionally, wet finishing employs chemicals that if misused or disposed of incorrectly could reach the groundwater, thereby polluting

the drinking water and the environment, and thus increasing risks to human health. Moreover, the cultivation of cotton as well as dyeing and wet processing are highly water intensive.

### Trusting Partnerships

We depend on trusting business partners to meet our demands on working conditions as well as product responsibility.

As part of our product responsibility, we also face the challenge of employing measures that create the best possible impact throughout the various stages of production.

We commit our suppliers to strict implementation of our requirements, which are defined in our *Ethical Sourcing Standard*. Additionally, we use sustainable textile fibers, such as certified raw materials and recycled fibers.



We place high demands on the quality of our products because the wearing comfort of our clothing and the well-being of our customers are critical to us.

# PRODUCT RESPONSIBILITY

In addition to dealing with the social challenges in the supply chain, it is our responsibility to counteract the potential environmental impact of production. Especially, dyeing, washing, and other chemical finishing processes pose a risk of contaminating air, soil, and water and, if unregulated, may adversely affect human health.

The responsible use of chemical substances is an essential part of our production responsibility; this is in addition to the vital topic of consumer protection, which includes the standards for the protection of workers in the supply chain and for minimizing environmental impacts.

## Careful handling of chemical substances

The wearing comfort of our clothes and the well-being of our customers are essential to us. That is why each of our products must fulfill specific quality and safety criteria. For example, the purchasing guidelines are anchored in the production guidelines of MARC O’POLO International

GmbH, which includes general processing, quality, and safety requirements, as well as in our company’s *Minimum Requirements of Chemical Parameters*.

## Requirements beyond the statutory requirements

Our suppliers must comply with our *minimum chemical requirements*; These apply to all production materials as well as the chemical substances used in the refining process. The minimum chemical requirements take into consideration the relevant national and international regulations and are regularly updated. We have defined strict requirements for numerous parameters that go beyond the statutory requirements to best secure our products.

Independent, accredited laboratories carry out regular, random checks to ensure that the chemicals used meet our requirements.



The use of chemicals in textile production cannot be avoided. This makes it all the more important to handle it responsibly.



## Sustainable textile fibers and products

The use of natural materials shapes the core of the MARC O’POLO brand. Since our foundation, we rely on natural fibers that are comfortable to wear. Since 2006, we use eco-friendly textile fibers. Animal welfare aspects also play a dominant role in the selection of our materials.

In the reporting period, we decided to use more recycled cotton and polyester fibers. At the board level, we decided to develop and release a holistic and comprehensive cotton strategy in 2018.

## Modern organic products

Any of our products that are labeled as Modern Organic Products are exclusively sourced from certified ecological farming. The cultivation and harvesting of natural fibers are subject to strict conditions in line with the legal regulations on organic agriculture.

The yarns for our modern organic products are sourced from suppliers who are certified according to the *Global Organic Textile Standard (GOTS)* or the *Organic Content Standard (OCS)*. Both standards fulfill our requirements for organic agriculture. Particularly in the baby segment of MARC O’POLO Junior up to 70 % of GOTS-certified yarns being utilized.

## Recycled materials

With the use of recycled cotton and polyester fibers, we are contributing to the protection of the environment. Recycled fibers reduce the use of water, chemical substances and energy. The minimum content of the recycled fibers in the material is 20 percent.

In our denim collection, we employ materials with recycled cotton and recycled polyester. For the outdoor collection of MARC O’POLO and MARC O’POLO Junior, we use a polyester padding made from recycled PET-bottles. These products are labeled accordingly.

THERMORE® ECODOWN®

made of 100 % recycled material

THERMORE® CLASSIC

made of 50 % recycled material

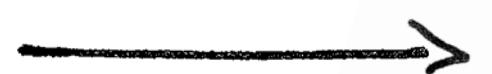
THERMOSOFT®

made of 50 % recycled material

MARC O’POLO IS  
FOCUSING MORE  
STRONGLY ON  
RECYCLED FIBERS



MARC O’POLO has decided to develop a comprehensive cotton strategy in 2018.



# Marc O’Polo

## **Lyocell**

*Lyocell* is an industrially manufactured cellulose fiber with remarkably positive wearing properties and environmental advantages over conventionally grown cotton. In the women’s collection, we are increasingly using it as an alternative to conventional cotton fiber. Reduced consumption of water and land with the decreased use of pesticides during cultivation are some of the advantages. *Lyocell* is extracted from the rapidly renewable raw material wood. In contrast to the farming of cotton, it is not in conflict with the agricultural use of land; thus, there is no competition between crops and food.

## **Denim**

We procure some of our denim from European fabric manufacturers *Candiani*, *Royo*, and *Italdenim*. These suppliers are exemplary regarding sustainability measures, such as the use of recycled fibers or measures for resource-saving production.

Denim pants with a reduced environmental impact during the garment finishing process receive a Blut Dot Label. It informs you that the washing process uses a maximum of 30 liters of water – compared to an average of 100 liters for a conventionally produced jeans. Additionally, we limit the number of chemicals that are used in the production of the *Blue Dot* items. We continuously review the expansion of these measures and follow the innovations on the market carefully.

MARC O’POLO waives the use of the controversial

sandblasting technique for its denim products. The required effect is achieved with laser radiation or with sandpaper.

## **Animal welfare policy**

The considerate treatment of animals is a natural part of our corporate philosophy. For their protection and well-being, our *Ethical Sourcing Standard* contains guidelines that are continuously being developed. For example, the standard includes the protection of endangered species according to the *Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)* and the *IUCN Red List*, and refers to the *Five Freedoms of the Farm Animal Welfare Council (FAWC)*.

We do not use real fur, angora wool nor exotic leather (such as reptiles) out of principle. We use leather from farm animals, such as cow, lamb, or goat. Independent institutions perform inspections; for example, the faux fur we use undergoes random checks for any real hair contents.

The origin of the down and feathers we use is inspected by the independent *International Down & Feather Laboratory and Institute (IDFL)* through a Supply Chain Traceability Audit. With this measure, we want to exclude for our products, that the animals are force-fed (prohibition of foie gras production) and the down are obtained from the living animal (no live plucking). Labeled MARC O’POLO down products are from a supply chain audited by the *International Down & Feather Laboratory and Institute*.

ANIMAL WELFARE – Inspected origin of the down and feathers



FREE RETAILER – Renouncing the use of real fur



*Employees*

Creative, passionate, and authentic.  
With this philosophy, we have been living  
and working at MARC O'POLO for 50 years.

## *Our values*

The success of MARC O’POLO rests on the shoulders of our employees. Our actions and our brand philosophy are based on our fundamental values. Our employees have the freedom to live this way: authenticity, simplicity, quality, personality, and innovation. At MARC O’POLO, we have been working according to this belief for 50 years.

### **Rooted in our company headquarters and active worldwide**

In the region of Stephanskirchen in Bavaria, we are an influential employer – almost half of our employers work at our headquarters. We are happy that in spite of a challenging business environment in the textile industry, we were fortunate to employ nearly as many employees at the end of the last business year as in the previous year.

As of May 2017, MARC O’POLO AG has 1,842 employees worldwide (including trainees, temporary staff, interns, graduates, and students). The retail division employed 956 people, 682 of them in Germany. In the reporting

year, 27.3 percent of our employees worked part-time. The part-time rate in the female-dominated textile industry is usually high.

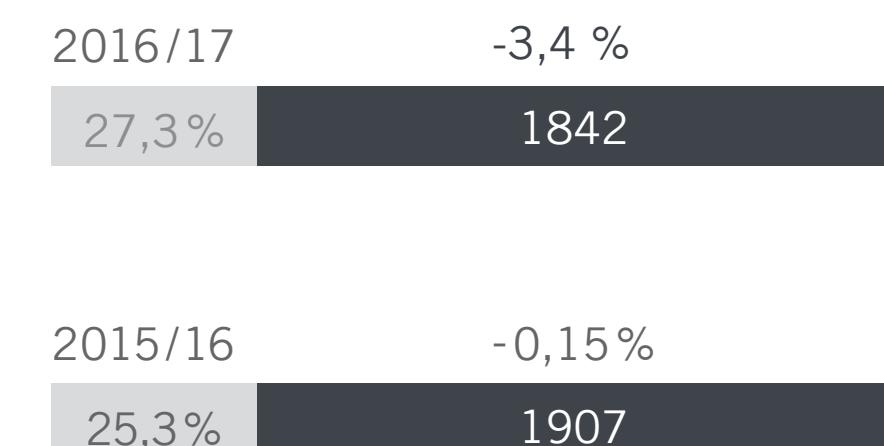
### **Personal responsibility and passion**

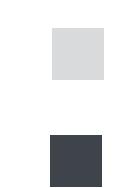
MARC O’POLO promotes responsible action and initiative. The characteristics of our method of working include creativity, passion, and authenticity: our innovative environment inspires and motivates us. We act goal-oriented and quality-conscious and with a high degree of individual drive. We believe that living individuality involves treating one another with respect and fairness.

### **Innovative thinking and working**

The change in social values and progressing digitization have an impact on our working environment and our attitude to work itself. We enable our employees to work flexibly; we focus on equal opportunities and support our employees in balancing work and private life. Our programs for professional and personal development promote motivation and qualification.

### DEVELOPMENT OF EMPLOYEE NUMBERS



 Share of employees in part-time  
 Total employees

# HUMAN RESOURCE MANAGEMENT

A constructive work environment as well as fair and respectful conduct towards one another promote satisfaction and motivation.

Through management training, regular tasks and monthly updates for all employees in charge of personnel, we help ensure that our executives are engaged with the principles of the mission statement and apply them in their everyday work.

## **Added value for employees**

In addition to performance-oriented remuneration, we offer our employees a wide range of company benefits: All permanent employees receive a subsidy for occupational pension schemes or capital-building benefits. We support interns and students with a grant for teaching materials/documents. Our dual students benefit from a travel allowance after submitting appropriate supporting documents. Our new colleagues are welcomed with 20 furnished rental apartments close to our location in Stephanskirchen. Additionally, all employees can purchase MARC O’POLO products at special rates through personnel purchasing.

## **Attracting and promoting talent**

Motivation arises from the fact that one’s talents are developed and used. Hence, we rely on comprehensive education. We promote young staff as well as experienced professionals and managers of our headquarters and our

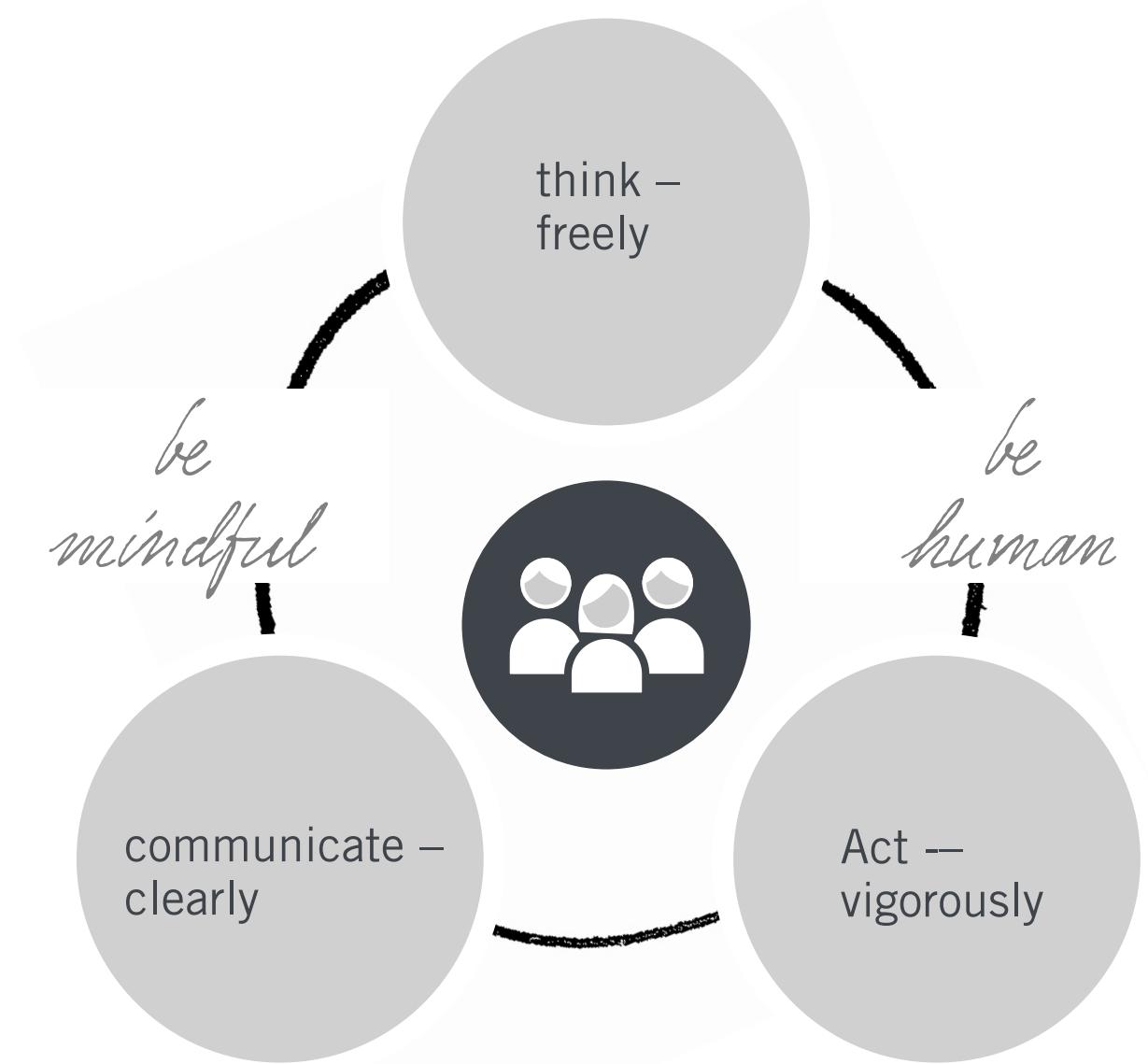
stores. In this manner, we meet the individual needs of our employees and at the same time create the conditions for their long-term employability. Thanks to the many training programs, we can fulfill our principle of filling up leading positions with employees from our ranks, if possible.

## **Opportunities for young people**

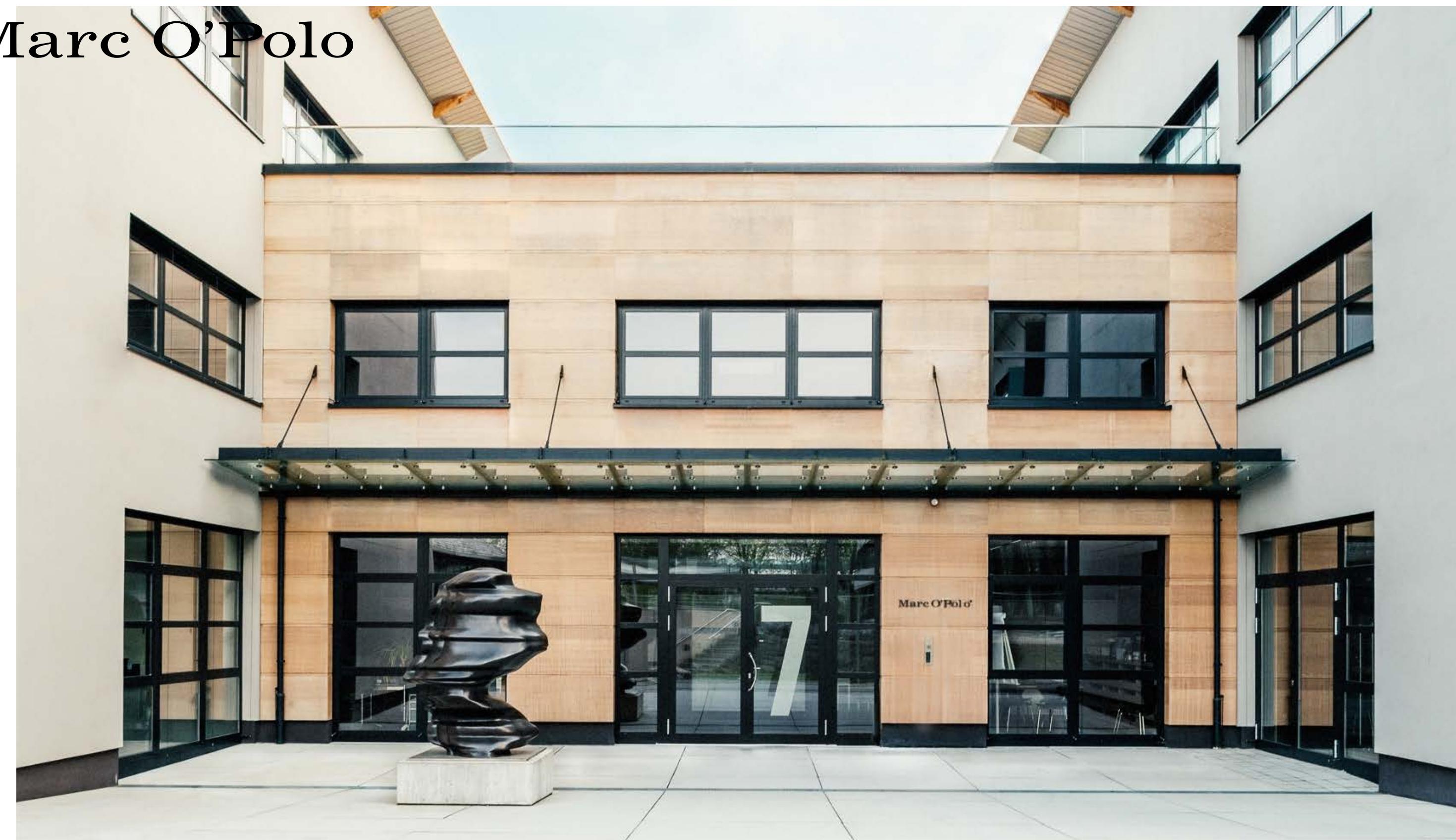
Within the setting of university cooperation, we are committed to the training of young talent. Both our employees and our board members regularly share their practical knowledge with external students and provide insights into an internationally operating fashion brand, either at the local universities or the company location. As part of the so-called *Deutschlandstipendium*, we currently provide financial support for three study places at the *Hochschule Fresenius/AMD Akademie für Mode & Design* as well as one study place at the *Hochschule Niederrhein*.

Future employees may find useful information about MARC O’POLO as an employer and the location Stephanskirchen on our career website. Our presence at recruiting fairs facilitates an exchange with potential applicants and makes MARC O’POLO an experience as an employer.

## OUR LEADERSHIP MODEL



# Marc O’Polo



## Communicating with appreciation

Transparency and a continuous, interdisciplinary exchange are the basis for the fruitful cooperation of our employees. We attach great importance to open internal communication. Above all, it is the quality of the dialog between the executives and the employees that makes good work possible.

Employees in the retail division as well as at the company office inform the board regularly and on their initiative through various channels. A changing circle of employees from all hierarchical levels is also invited to attend a *Round Table* several times a year. The opportunity to talk directly with the board is used frequently and is of personal concern for our management.

Suggestions for improvements in the company can be brought up by our employees over the feedback portal *Share with MARC O’POLO*.

## Mutual feedback at eye-level

In an annual performance review, our executives set individual goals and suitable further training measures in collaboration with their employees.

In 2016, we completely revised the performance review for our employees at the company headquarters in Stephanskirchen, focusing on mutual, appreciative feedback. In this manner, we make it easier for our employees to “strengthen their strengths” in an interview at eye level. At the same time, we emphasize the further development of both the employees as well as the executives.

## Qualification

The training and education of our employees have a central place in our personnel strategy. At MARC O’POLO AG, young people can select from 15 different apprenticeship in wholesale and retail. Experienced employees can have a career as a manager, there is even the possibility of a specialist career.

In the reporting year, we employed a total of 63 apprentices and dual students, 33 of which in wholesale and 35 in retail. Our takeover rates bear witness to the quality of our training; personal reasons such as continuing education are the causes for the decreasing takeover rate.

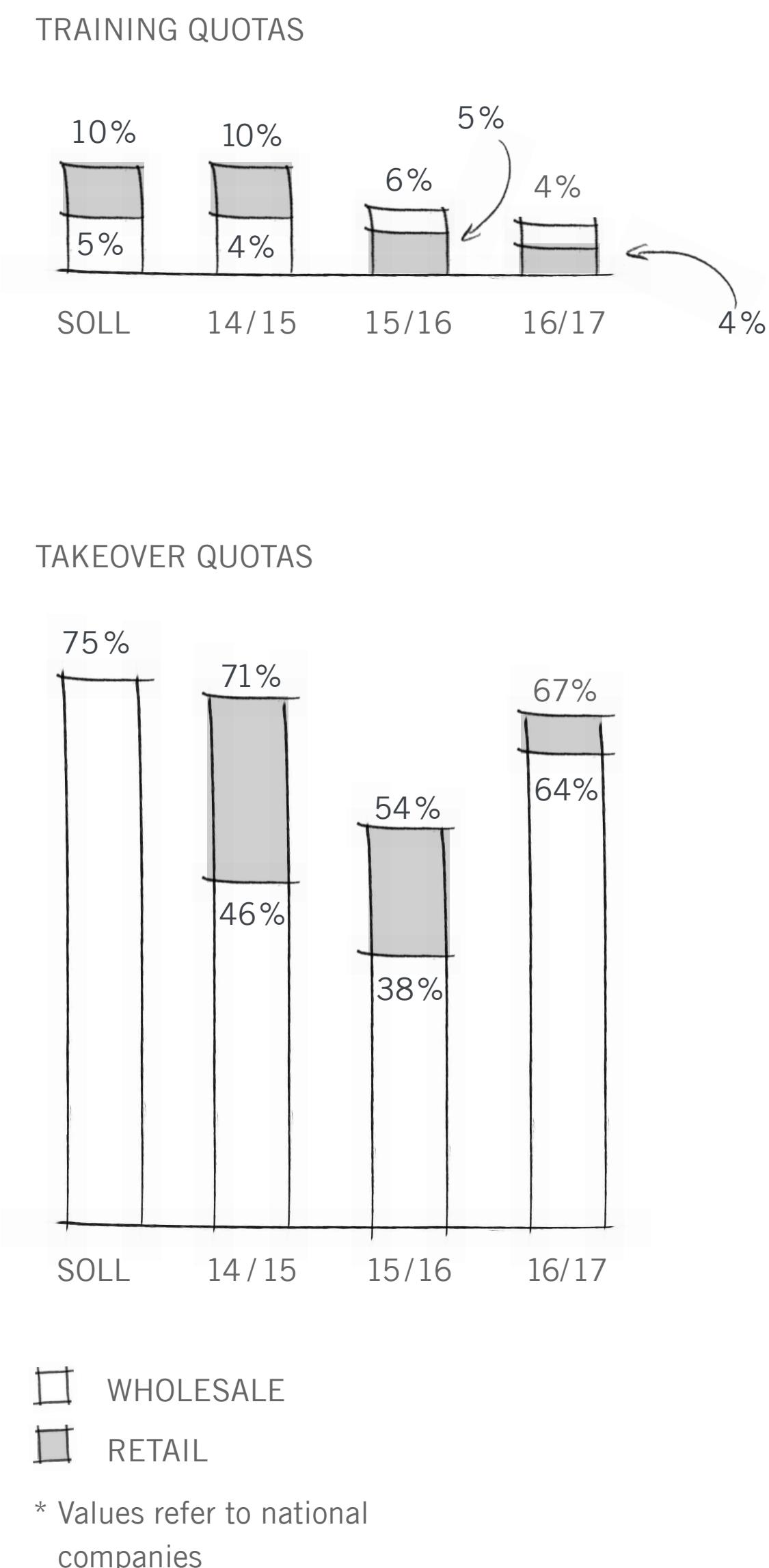
In cooperation with the non-profit initiative *JOBLINGE*, we help students with challenging starting conditions with their first step towards a professional career.

### Apprenticeship

In addition to the specialist content within the training vocations and the integrated degree program that we support, we place great value on promoting independence, team spirit, and responsibility. During their apprenticeship, our young talents undertake challenging assignments, including a project chosen by the board, which enables them to show their strength. Additional training and our *Intake* – a one-week introductory event at the start – complete the training.

### Integrated degree program

We offer graduates with university degree or advanced technical college certificate an integrated degree program in collaboration with the *Textilfachschule LDT Nagold* (Textile Business Administration BTE) as well as in cooperation with the Baden-Württemberg Cooperative State University *Villingen-Schwenningen* (Bachelor of Arts [B.A.] or the Bachelor of Science [B.Sc.]).



# FURTHER EDUCATION

Our in-house academy at the company headquarters offers seminars in the areas of methodical, specialist and social competence. For example, these include merchandise knowledge, communication, or project management. The *Retail Academy* offers employees and teams tailored seminars for all career levels. These open up further opportunities for specialization in the areas of styling, visual merchandise, process management or job education.

Furthermore, we offer all our employees a new impulse through a series of lectures: In the reporting year, lectures were held on the topic *MARC O’POLO Digital and Risk Management – experiences from the aviation industry*.

## Colleagues for colleagues

In the reporting year, we integrated a comprehensive variety of our training catalog, in which employees pass on their knowledge and skills to colleagues. We would like to use this under the motto “colleagues for colleagues” and share it in the company.

Within the scope of methodological competence, for example, we offer project management, MS Excel or MS PowerPoint. The subject expertise focuses in particular on the mediation of technical product and merchandise knowledge.

## Forging talent

Our executives identify new talent together with the human resources department.

For this purpose, we have developed a competency model for the executives based on the leadership model. Since 2017, we have been working on a new concept for our talent management that will go live in early 2018 with an executive-level opening event. As young executives in the retail division go through our high-potential programs, they gain access to excellent career opportunities, both nationally and internationally. The one-year program “*Challenge Yourself!*” supports young professionals at the headquarters in developing social and methodological skills. Under the motto “*Train up!*”, we accompany our trainees in three modules on their learning path. From the start, they assume responsibility for tasks in a core area. Additionally, they undergo training modules on methodology and communication.

## Learning leadership

We train senior staff as part of our *Leadership Academy*. Through the Leadership Essentials Newcomer training series, we equip new executives with the key leadership tools to help them qualify for their new role. In the reporting year, we focused on *Change Management*. We also launched the new *Leadership Essentials Senior* and *Leadership Specials* programs to give our experienced executives new impulses.

## AVERAGE TRAINING DAYS (per employee) 2016/2017

· Average training days per employee:	1.27
· Average training days per employee in retail:	1.67
· Average training days per employee in wholesale:	0.84

## Diversity & equality

Tolerance and fairness are fundamental components of our company culture. Diversity as value includes equal opportunities and respect for the individual.

MARC O’POLO employs significantly more female employees than male employees, which is common in the clothing industry. In the reporting year, 77.1 percent of the workforce was female. Our workforce is quite young, with a proportion of under 35-year-olds accounting for 50.8 percent. The average length of service for full-time employees is 5 and for part-time employees is 4 years.



We pay women and men according to their role based on market and performance criteria, regardless of gender. We emphasize equal opportunities for career advancement. Across all management levels, the proportion of women in MARC O’POLO AG was 59.3 percent last year. Even though the value is 3 percent below the value from the previous year, it is still at a high level. 77.8 percent of our store managers are female.

### EMPLOYMENT STRUCTURE BY GENDER 2016/2017

• Employees Total	1.842 (♀ 77,1 %)
• Management Board Total	3 (♀ 0 %)
• Senior management level Total	18 (♀ 42,9 %)
• Middle management level Total	59 (♀ 72,9 %)
• Lower management level Total	155 (♀ 72,3 %)



## Work-life balance

Striking the right balance between work and private life is vital for mental and physical health as well as for enthusiasm and motivation. For many young professionals, this aspect is a crucial aspect in their selection of their future employer. At the Stephanskirchen location, the majority of employees work flexibly with more than half working on a *foundation of trust*.

At the location in Stephanskirchen, we promote modern working environments and desk sharing in our new building. The desk-sharing rate is 1.2 percent. Where possible and operationally meaningful, our employees can also work from home. Additionally, our showroom in Munich can be used as *Munich office* for work during order-free periods.

### Family-friendly working

With MARC O’POLO *Family*, we create the atmosphere for a family-friendly working environment. Group-wide, we offer different part-time models and ensure that executives are also able to work part-time. Furthermore, we invite employees on parental leave to take part in corporate events

and keep them updated via our *Intranet*. For the first time since this reporting year, we also offer a first-aid course, especially for parents.

We facilitate the re-entry with a grant for childcare if young parents want to return to work within half a year of giving birth with at least 30 weekly hours. We develop individual workplace solutions in consultation with all returning parents.

We have been offering a varied holiday program for school-age children at the company’s location in Stephanskirchen for many years. The cost of the offer, in which 31 children participated in the year under review, is borne entirely by the company.

We continuously support full- and part-time employees who find themselves in private or professional crisis situations through our cooperation with the pme Familienservice for the care of children or dependent relatives, as well as the *INSITE* counseling service.

### EMPLOYEES ON PARENTAL LEAVE

Total	134
Mothers	128
Fathers	6

## Health

The health of our employees is dear to us. The MARC O’POLO *Health Club* at the company headquarters offers employees on site an extensive health and fitness program. Your mind is the start of your health. Therefore, information events and preventive measures are an integral part of our health service. Nationwide, our employees can take advantage of discounted memberships in various fitness studios. In the reporting year, 425 employees took advantage of the offers available at the *Health Club*.

### **The MARC O’POLO Health Club**

#### **• Colleagues for Colleagues**

New at the MARC O’POLO *Health Club*: Health programs or sports activities led by our employees such as ski gymnastics, avalanche camp at the MARC O’POLO *Mountain Lodge*, mountain bike tours, mountain walks, and yoga

#### **• Prevention**

Relaxation massages, nutrition coaching, detoxification weeks

#### **• Information**

Training on ergonomics at the workplace, self-defense, and presentations on motivation, time and stress management as well as healthy nutrition

#### **• Exercise**

Running training, Body Fit, Yoga, Pilates, EMS, hikes, fitness programs, beach volleyball, recreational soccer team, ski gymnastics, ski tours, snowshoeing, and mountain hikes

The annual company-run marks one of the highlights of the *Health Club*. A total of 67 runners participated in the reporting year – marking the current record participation level since the start of the initiative.

The MARC O’POLO *Mountain Lodge* located in the Thiersee Valley in Tyrol offers our employees an extraordinary recreational space for active, creative, or communicative purposes. Every employee can book the cabin in dreamy surroundings.

#### **Safety at work**

A specialist in occupational safety at MARC O’POLO ensures a safe working environment and develops preventive measures. In the reporting year, there were 12 reportable accidents.

The training of first aid personnel is an established practice at MARC O’POLO. In the reporting year, a total of 36 employees (including 12 apprentices) participated in the course to be able to intervene quickly in emergencies.



# *Environment and climate*

The conscious handling of our  
environment is part of our self-image.

# ENERGY MANAGEMENT

MARC O’POLO is a diversified fashion and trading company with a broad product range. Our business is located in Stephanskirchen, south of Munich. From there, we supply our stores as well as our trading partners and our e-shop customers. We are aware of the immense responsibility for our environment and our climate. That is why we have anchored the pursuit of active environmental protection within our strategy. For us, this means using energy sparingly and efficiently and optimizing all processes to make them environment-friendly step by step.

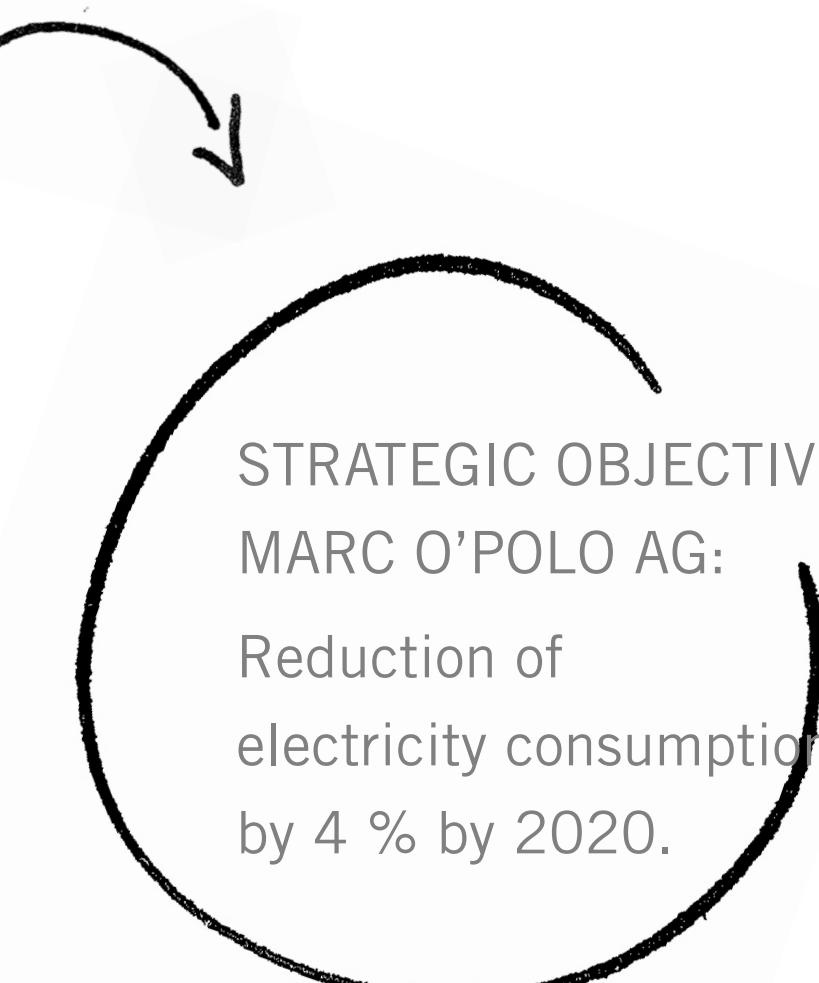
Since 2015, we have integrated an energy management system as per *DIN EN ISO 50001:2011*, to gain precise records of the energy consumption of our sites, and monitor it and reveal potential savings. We aim to become more professional in our engagement with energy. The management system provides a holistic approach, which lets us systematically document the energy-relevant aspects of our company; thereby allowing us to identify *Hot-Spots* and develop targeted measures. In the course of this, we have bundled our goals and activities in a binding energy policy.

## The MARC O’POLO – Energy Policy:

- We commit ourselves to the continuous improvement of energy and climate protection services
- We depend on energy and resource-efficient technology and mostly use renewable energy for the operation of our sites
- During the construction and renovation of our buildings, we already incorporate aspects of energy and resource-efficiency into our planning
- We pursue an open information policy and communicate our activities and goals publicly

An eleven-member strong energy team executes the energy management with experts from the specialist areas building management, human resources, fleet management, IT and store design. The energy steering committee consisting of the energy management officer, the energy team and a board representative meets twice a year on the activities and objectives.

Furthermore, we actively engage our employees in climate protection and involve them in our measures. We regularly hold competitions and communicate our progress in the areas of climate and environment to raise awareness.



STRATEGIC OBJECTIVE OF  
MARC O’POLO AG:  
Reduction of  
electricity consumption  
by 4 % by 2020.

## Green office

Environmentally conscious action begins with everyday life. As part of a two-day introductory event, we raise awareness among new employees; we draw their attention to the conscious use of natural resources and the careful use of materials, among other things.

In the administration as well as in our stores, we pay attention to the energy-saving use of office appliances and work with about 500 energy-efficient *LED monitors*, which switch off automatically when not in use. We use *PDUs* (*Power Distribution Units*) to capture and control the power consumption of our electronic devices more efficiently.

We are currently revising the measuring techniques to improve monitoring our store's consumption values.

### Use of eco-friendly office supplies

For our office equipment and packaging in our Stores, we use paper from *Responsible Forestry (FSC)*. We were able to reduce our paper consumption by around 853,000 sheets compared to the previous year. In the procurement

of office supplies, we pay more attention to eco-friendly products such as recycled plastic tape, wooden pencils, and refillable highlighters.

### Actively working against the waste of resources

We try to avoid waste right from the start and ensure professional disposal and recycling. Our hospitality policy prevents food waste and makes sure that meeting participants are served as needed.

We dispose of packing materials separately and recycle them. At the company headquarters in Stephanskirchen, we make use of a garbage press to prepare cardboard packaging, resulting from administration and logistics, for further processing.

In 2016, we used 2,003 cubic meters of water at our headquarters. In addition to using gray water in the toilets, we are testing a new hygiene concept in our new building, which will be then implemented in other locations if successful. Infrared-controlled water taps should avoid unnecessary water consumption.

# BUILDING OPERATION & STORE DESIGN

The efficient and ecologically compatible operation of our company buildings and our stores is one of the fundamental approaches to minimizing our environmental impact. Both Building and Facility Management, which are part of our energy team, are tasked with monitoring compliance.

We source certified electricity from renewable energies for our buildings at the company headquarters in Stephanskirchen, our staff apartments, and our stores in Germany. We also draw our employees' attention to the private use of naturstrom. Additionally, we encourage them to switch to green energy privately with a bonus. In the long term, we aim to convert the buildings at our headquarters to an environmentally friendly heat supply using biogas.

In our logistics hall, we save 50 percent of the energy consumption through conversion of the lighting. We generate heat with a ventilation heat recovery system. A new climate concept is planned as a measure in autumn 2017 for the oldest building at our headquarters.

## Innovative building and housing technology

A company building finished in 2016 offers 1,900 square

meters space for open and innovation-promoting working environments. The implementation of ecological standards during the planning was essential to us. An innovative building management system ensures that the air conditioning systems are switched off automatically when the windows are open. Additionally, a building automation enables the regulation of a sustainably designed building technology. Thus, the lighting is dimmed automatically depending on the daylight or switched off in the absence of our staff. Our administration building has solar water heating and heating support and a photovoltaic system. The latter generates about 8,199 kWh of electricity annually and saves around four tons of CO<sub>2</sub>.

## Responsible design of our stores

For the equipment of our factory outlet stores, we obtain natural materials (wood), whereby we abstain from using tropical timber. We sort out furniture for professional recycling, or if well-preserved, make use of it to set up our factory outlets. In the reporting period, the entire lighting and heating systems were changed for the first time in two stores. Here, we would like to tackle and implement targeted measures.

## ENERGY CONSUMPTION IN THE LAST YEAR

Location Stephanskirchen  
Electricity\* 1.986.000 kWh  
Gas\* 1.263.000 kWh  
CO<sub>2</sub> Emissions\* 1.431.000 kg

Self-operated stores national and international  
Electricity\* 6.300.000 kWh  
CO<sub>2</sub> Emissions\* 3.600.000 kg

\* Rounded figures; review at annual report level, otherwise calendar year 2016

# MOBILITY

We want to minimize the environmental impact of business travel and commutes. To reduce our carbon footprint continually, we have developed a mobility concept that includes low-emission service and pool vehicle requirements, a strict travel policy, and the promotion of environmentally responsible behavior.

During the selection of new vehicles for our vehicle pool, we pay attention to low emissions. We were able to reduce average CO<sub>2</sub> emissions continuously. Employees who do not want to use a company car are given a mobility allowance. We have expanded our fleet with an electrically powered *Audi A3 e-tron*. Additionally, we also entered into a car sharing cooperation with *Audi Shared Fleet*. With this, we expect higher utilization rates of our vehicles. To form carpools, our employees network through the Social Mobility Network *Flinc*. We continue to support private car sharing and pay the registration fees to the service provider *DriveNow*.

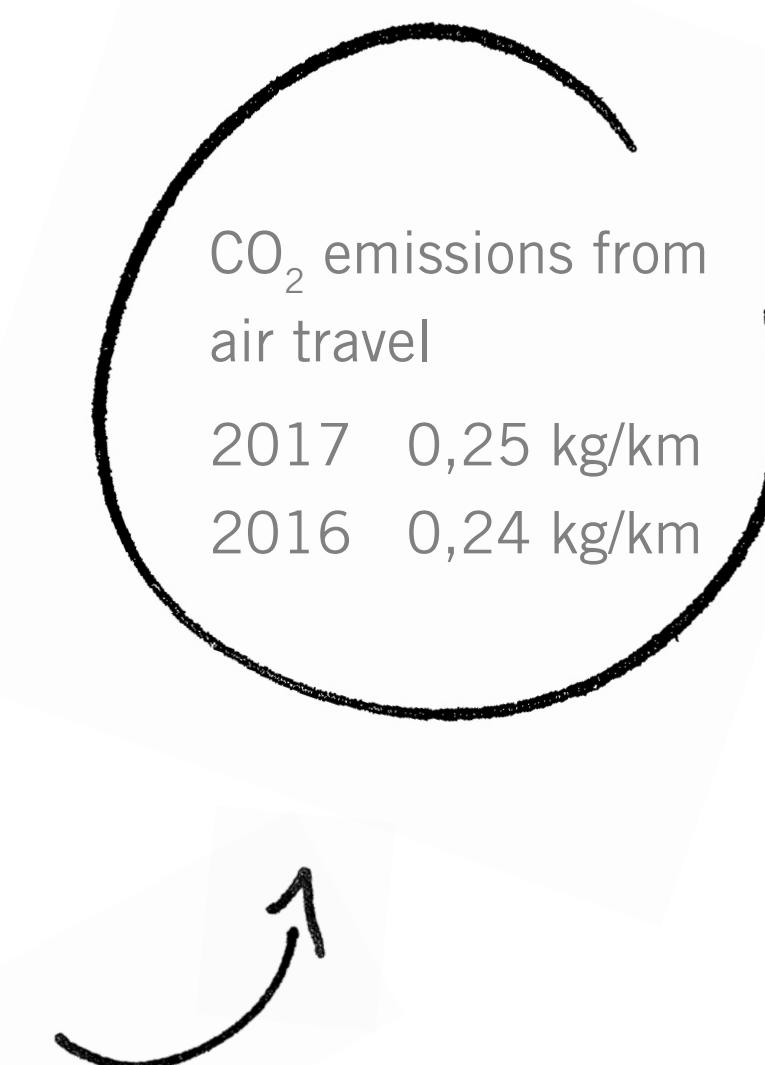
## Environmental compatibility of business trips

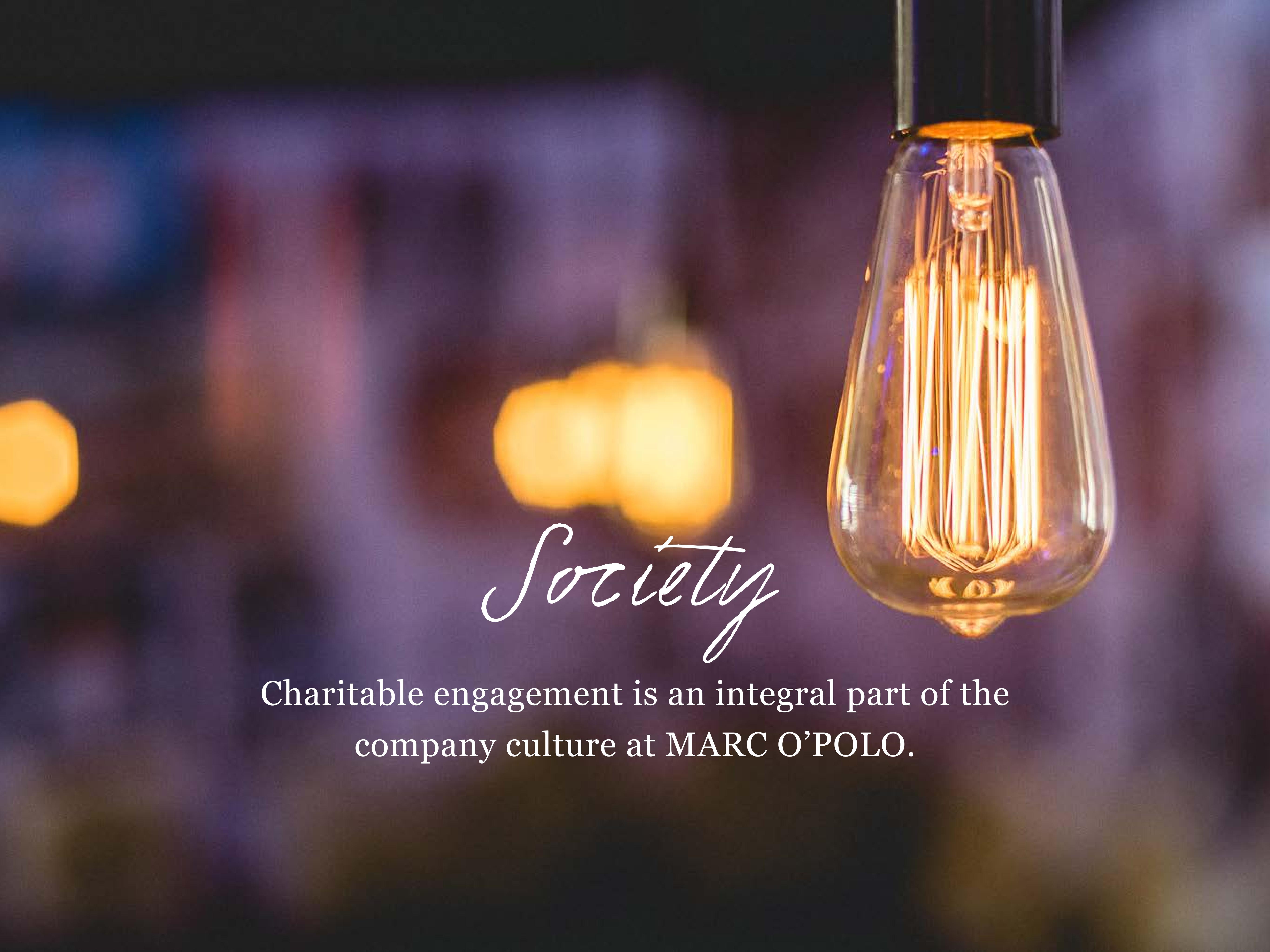
Our travel policy ensures the environmental compatibility of business trips. Our employees use the services of the *Deutsche Bahn* for distances of up to 400 kilometers, which in turn uses green electricity. Employees who travel a lot receive a *Bahncard*, commuters receive a subsidy for the *Deutsche Bahn Jobticket*. For small distances, rental cars are provided, or public transport is utilized.

We prefer to book hotels that demonstrate a good sustainability performance, which we determine based on specially developed criteria. However, the supply is persistently low, so we are not able to always live up to this claim. At the same time, as a company, we also observe that hotel operators are increasingly focusing on sustainability.

## Further improvement of our mobility concept

Our emissions from business trips by plane declined by 38 %. We take this result as motivation to utilize transportation by aircraft even less frequently in the future. In doing so, we set ourselves the task of tackling the challenges of the rural location of our headquarters and developing new solutions.





*Society*

Charitable engagement is an integral part of the  
company culture at MARC O'POLO.



# MARC O'POLO FOUNDATION

The MARC O'POLO Foundation is a living expression of the social responsibility of MARC O'POLO as part of society as well as a regionally rooted company and a significant employer. The foundation serves cultural and social purposes and takes into account the artistic commitment of MARC O'POLO.

## History of the foundation

Since its establishment in 2009, the foundation has launched various projects. The first and most significant was the initiation and financing of the Sculpture Path *Nature and Reflection* in 2010 together with the City of Rosenheim. On its sixth anniversary, the foundation also promoted many charitable and cultural projects, such as a *Plant-for-the-Planet* Academy or the *Königskinder* art education project.

## Marc O'Polo

### DO School, in search for traces of the founders

In cooperation with the *DO School*, an experimental platform for social entrepreneurship in Berlin, MARC O'POLO developed a *DO Camp*, which allows young innovators to put their ideas into practice over a period of five days, and to develop a business model for the foundation of a company. The interest in sustainability and innovation has encouraged entrepreneurs from 20 countries to apply for the camp. 18 participants between the ages 21 and 37 years were invited. At the end of the workshop, the three most innovative and most viable projects were chosen during a *Pitch Night*.

### Limited O'Bag for a good cause

To celebrate its 50th anniversary, MARC O'POLO invited international artists to interpret the „O“ in their way, including popular creatives such as contemporary designer *Herms Fritz*, director *Yelena Yemchuck*, and graffiti artist *KRINK*. At the start of the anniversary, the „O“ prints adorned the interior of the 5O' Bag, a limited edition of 1,967 copies. The MARC O'POLO 5 Bag was available from December 2016 in chosen MARC O'POLO stores and the online shop. The MARC O'POLO Foundation donated EUR 10 for each bag to the charitable *Kinderkunsthaus* in Munich. A total of EUR 19,670 was collected.

The MARC O'POLO Foundation promotes cultural and social purposes, particularly at the Stephanskirchen location.

## Employee engagement

As a company, it goes without saying that we take our social responsibilities towards people and society seriously. We also involve our employees to achieve a greater reach. We support them when they get involved for the good of our community and our region in their free time. With our support, we want to express our appreciation to the employees who work for others. At the same time, the company wants to encourage more employees to get socially engaged. Our many years of experience confirm that those who are involved gain valuable experiences that are reflected in their professional lives.

### Our corporate volunteering program

As part of the corporate volunteering program, MARC O’POLO releases employees from work for up to two days if they wish to engage in social or environmental projects. The offer was well received during the reporting period. Our employees provide active support in regional facilities such as the *Tafel Rosenheim* or the *AWO Mehrgenerationenhaus* in Rosenheim.

### Emergency aid for refugees

The city of Rosenheim was the hub of numerous refugee flows, especially in the winter of 2015/2016. In this situation, an emergency aid program for refugees was set up in cooperation with the *Malteser Hilfsdienst*. After a compulsory health check, our 100 volunteers worked 546 hours distributing food and clothing to refugees. Our employees also helped with donations in kind. During the reporting period, five employees, who had worked an extraordinary amount of time at the reception center in Rosenheim, were awarded a medal for their commitment by the *Malteser Hilfsdienst*.

### Cooperation with children’s home

Meanwhile, the cooperation with the children’s home *Schöne Aussicht* is part of the Christmas tradition at MARC O’POLO. In the reporting year, the children submitted their self-made wish lists, which decorated the Christmas tree at the company headquarters. Our employees fulfilled all wishes, to the delight of the children.



In 2017, the *Malteser Hilfsdienst* honored five employees for their extraordinary commitment to helping refugees

## *About this report*

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Since the financial year 2007/2008, the MARC O’POLO Group has provided transparency on its sustainability activities through an annual sustainability report. This report highlights developments, events, and key figures for the 2016/2017 financial year. Significant changes, which occurred thereafter, were taken into account until the editorial deadline on October 31, 2017.

In principle, the content and key figures presented in the report refer to the entire MARC O’POLO AG. Any data or statements that concern only individual subsidiaries are highlighted in the report. We have avoided the female form of gender-specific terms to improve readability; it can be assumed that both genders are addressed. This report is also available in German.

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